Small steps
German economy keeps on course
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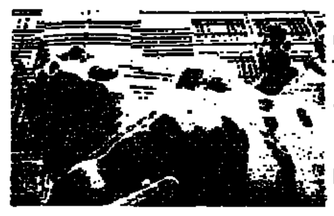
European dream takes shape in Lyons
Technology, Page 12



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FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY JANUARY 7 1994 — D8523A

Economists warn German recession likely to worsen

Germany's recession will continue this year despite recent improvements in the economy, Berlin-based economics institute DIW warned. It said the chances that the situation would be worse this year were greater than those for an improvement, urging policy-makers to change course and stimulate investment. Demand and investment were set to continue declining in 1994, hampering prospects for a sustainable recovery, it added. Page 16; At risk from party politics, Page 14

Tokyo set to fuel economy: Japan rejected US warnings not to rely on the yen's weakness to deliver economic recovery, but said it would shortly produce another round of measures to stimulate the economy. Page 4

Airbus Industrie, the European aircraft manufacturing consortium, reported a 13.7 per cent rise in turnover to $8.3bn last year despite a fall in deliveries and a steep drop in new orders. Page 6

Israel and PLO to resume talks: Israel and the Palestine Liberation Organisation ended more than a week of stalled talks by agreeing to resume full negotiations on Monday on an Israeli withdrawal from Gaza and Jericho. Page 4; A break in the siege mentality, Page 15

Nestlé, the food and mineral waters group, won effective control of Goplana, Poland's second largest chocolate factory, with an investment of $43m. Goplana's sales last year were worth $64m. Page 17

Japan backs multimedia development: Japan is to promote the build-up of the country's advanced telecommunications networks, saying their use for multi-media services could create markets worth Y123,000bn ($1,089bn) by 2010. Page 4

Long-term investors for Elf: A group of long-term stable investors will hold 10 per cent of the shares in French oil group Elf-Aquitaine following its privatisation, to be launched this month, French economy minister Edmond Alphandéry said. Page 17

Serbs admit atrocities: Rebel Serb leaders told US officials that atrocities had occurred near the Croatian town of Vukovar and they were prepared to hand over the perpetrators. Croats face pressure, Page 2

40 die in Togo fighting: At least 40 people were killed in renewed fighting in Togo's capital, Lome. The government imposed a curfew and closed the west African country's land borders, later announcing a postponement of parliamentary elections due on January 23.

German ambassador suspected of spying: A German ambassador was arrested on suspicion of spying for communist East Germany during the cold war. The public prosecutor identified the diplomat only as an "ambassador in a black African state".

Eastern German population to fall: The population of eastern Germany will fall by 20 per cent by 2010 because of migration to the prosperous west and a declining birth rate, researchers at Humboldt University, Berlin, said.

Mexican army faces execution claims: The Mexican army sealed areas where it has been fighting rebel peasants in the country's southern state of Chiapas as the government promised to investigate claims that soldiers had executed captured rebels. Page 3

Hewlett-Packard, US electronics manufacturer, is to take a 15 per cent equity stake in Taligent, a joint venture between International Business Machines and Apple Computer which is developing advanced computer software. Page 19

Japanese buy into China breweries: Asahi Breweries and Itochu, the Japanese trading house, are to take stakes in three eastern Chinese breweries. Page 19

Ciba-Geigy, Swiss pharmaceutical group, plans to invest more than $10m to enter the Chinese contact lens and solutions market. Page 18

Daewoo plans European car venture: Korean industrial conglomerate Daewoo plans to invest $156m in a joint venture in Romania to build cars for the European market. Page 6

Fingers of suspicion: Wearers of watches with plastic cases and luminescent dials risk being exposed to radioactivity, British medical journal The Lancet said. Radiation from tritium, used as a source of permanent light on watch faces, can penetrate plastic watch cases.

■ STOCK MARKET INDICES

FT-SE 100:	3403.0	(+23.8)
Yield	3.46	
FT-SE Eurotrack 100	1481.29	(+8.24)
FT-SE-A All-Share	1683.61	(+0.7%)
Nikkei	17,881.99	(+98.51)
New York lunchtime		
Dow Jones Ind Ave	3905.85	(+7.03)
S&P Composite	467.62	(+0.07)

■ US LUNCHTIME RATES

Federal Funds:	$3\frac{1}{16}$%
3-mo Treas Bills: Yld	3.086%
Long Bond	$98\frac{7}{16}$
Yield	6.35%

■ LONDON MONEY

3-mo Interbank	$5\frac{7}{16}$%	(Same)
Liffe long gilt future:	Mar $118\frac{1}{32}$	(Mar $118\frac{3}{4}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$14.5	(14.08)

■ Gold

New York Comex (Feb)	$390.1	(392.1)
London	$388.75	(396.5)

■ STERLING

New York lunchtime:		
$	1.484	
London:		
$	1.488	(1.4864)
DM	2.5886	(2.5861)
FFr	8.7919	(8.7732)
SFr	2.1941	(2.1996)
Y	167.492	(167.601)
£ Index	82.2	(Same)

■ DOLLAR

New York lunchtime:		
DM	1.74385	
FFr	5.9235	
SFr	1.4822	
Y	112.895	
London:		
DM	1.7397	(1.7399)
FFr	5.9085	(5.9025)
SFr	1.4745	(1.48)
Y	112.555	(112.76)
$ Index	67.7	(Same)

Tokyo close Y 112.85

Austria	Sch32	Greece	Dr390	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.08	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L10000
						UAE	Dh12.00

Radicals in Russia may rebel over reform jobs

Bitter struggle setback to new cabinet announcement

By John Lloyd in Moscow

Russian's leading economic radicals have threatened to go into opposition if President Boris Yeltsin does not allow them control of economic policy in the new government expected to be named shortly.

Mr Yegor Gaidar, first deputy prime minister in the present government, has demanded the chief economic portfolios in the new government be allocated to members of Russia's Choice, the main liberal party in the parliament elected last month.

He has said that unless this happens the party's senior members in the cabinet – who also include Mr Anatoly Chubais, deputy prime minister in charge of privatisation and Mr Boris Fyodorov, deputy prime minister for finance – will leave government and go into opposition.

The bitter struggle for control over economic policy has meant that an announcement on the new government, expected this week, has been delayed. Reformist sources say that a decree setting out the composition of the new cabinet has twice been put to Mr Yeltsin, for signature, only for the signing to be postponed both times.

A key to the future shape of the government is Mr Viktor Gerashchenko, the Central Bank chairman – whom Mr Fyodorov has demanded be fired but who has in the past been protected by Mr Viktor Chernomyrdin, the prime minister. Mr Chernomyrdin said earlier this week said that the government would follow a "centrist" policy and that "shock therapy" was finished.

Reformers this week received a severe setback with the signing of a declaration of intent to unify the economies of Russia and Belarus – establishing two separate centres for the emission of the Russian rouble, one in Moscow and the other in the Belarus capital of Minsk.

Though no details of the agreement have been published, reformists say that the declaration allows the government of Belarus – where reforms have yet to begin and whose currency presently trades at five Belarus roubles to one Russian rouble – to create its own stock of roubles and to exchange roubles for hard currency in the Moscow currency exchange. The two countries' gold and hard currency reserves will be united – which, since Belarus has practically no gold or hard currency, means that the smaller state will gain access to Russia's reserves.

Mr Andrei Illarionov, deputy head of the Centre for Economic Reforms, said yesterday that the agreement – signed by Mr Chernomyrdin and Mr Vyacheslav Kebich, the Belarus premier – would mean a net payment from Russia to Belarus of Rbs1,600bn and a surge in inflation.

He said that by promoting the agreement Mr Gerashchenko was attempting to "create an economic union of the former Soviet states step by step". The agreement between the central banks on unifying the currency, said to have come into force the moment it was signed, would put the Belarus economy under the control of the Russian government and Central Bank – in return for open-ended credits to Belarus.

Performance on economy improves ....Page 2
Moscow warns against widening Nato ....Page 16

IMF will not ease stance on Moscow cash aid

By George Graham in Washington

The World Bank and the International Monetary Fund are urging western countries not to abandon the tough economic policy conditions they have placed on financial aid to Russia.

Making loans conditional on policy reforms, the two Washington institutions argue in an unusual joint note on their operations in Russia, is the best way of speeding up the process of stabilising the Russian economy and bringing about an early improvement in living standards.

Officials from the IMF and the World Bank criticised the Russian government for not following through an attack on inflation and for maintaining inefficient subsidies to vested interests such as state businesses and collective farms, at the expense of vulnerable groups such as pensioners and teachers.

"Despite announced policy intentions, Russia has produced an extremely gradual approach to the reduction of inflation. Experience elsewhere suggests that this is not an effective way of minimising economic hardship or maximising political support," the joint note says.

The IMF and the World Bank, as well as the western donor nations, have been criticised both in Russia and the west for being slow to fulfil promises to Russia.

The IMF has so far lent $2.5bn to Russia, some of it under a scheme specially devised to ease the conditions for lending money to the former Soviet countries. A disbursement of another $1.5bn under this scheme, however, has been held up while the IMF waits for evidence of an effort to curb inflation and the budget deficit.

After the surprising success in last month's Russian elections of the extreme rightwing followers of Mr Vladimir Zhirinovsky, some policymakers in the west have questioned whether shock therapy was the right approach.

In the US, Mr Strobe Talbott, who has been nominated to become deputy secretary of state, said the Russian people needed "less shock and more therapy."

Editorial Comment, Page 15

Gore backs 'Partnership for Peace'

Vice-president Al Gore defended the US 'Partnership for Peace' proposal saying it would bring the eastern European countries into closer association with Nato. Moscow warns against widening Nato, Page 16 CNN

Metallgesellschaft salvage plan faces investors' test

By Christopher Parkes in Frankfurt

Investors' reactions to the proposed salvage plan for Metallgesellschaft will be tested this morning when trading resumes in the debt-laden group's shares.

The stock was suspended in Frankfurt yesterday following press reports of losses last year of almost DM2bn ($1.15bn) compared with the DM347m deficit announced in November.

The metals, mining and engineering conglomerate confirmed late yesterday that it expected to report a loss of DM1.8bn for the year to the end of September 1993, and warned of a possible further DM1.5bn in obligations as it unwound positions in the US oil futures markets.

In an early indication of the mood, bank stocks lost ground yesterday after formal publication of details of the rescue scheme presented to the company's creditors on Wednesday evening.

Representatives of some 40 to 50 banks were asked to subscribe to a DM3.2bn package comprising a capital injection, debt-for-equity deals and new credit.

Deutsche Bank shares, for example, fell DM10.50 to DM859 in a market generally disrupted by the Metallgesellschaft crisis. Dresdner Bank dropped DM9.80 to DM453, while the Allianz insurance group shed DM25 to end at DM2,830.

According to banking sources, the group's top five creditors are Deutsche Bank, Bayerische Landesbank, Crédit Lyonnais, NordLB, and Société Générale. Crédit Lyonnais yesterday confirmed it was owed DM246m, while Commerzbank said its loans amounted to around DM200m.

Stock market traders were reportedly irritated that Mr Kajo Neukirchen, the newly-appointed group chairman, revealed further details of his plans in television interviews, and that formal notice of the scale of last year's losses and other sensitive information came so late in the day.

Mr Neukirchen warned in one broadcast that the alternative was insolvency if the banks did not rally round. Half the reported losses stemmed from oil futures market speculation by the company's US subsidiary MG Corp, and half from other activities.

Subsidiaries earmarked for disposal included a Canadian mining operation and the Kolbenschmidt automotive components company. Bankers said the US oil business and metals smelting operations were also likely to go.

Mr Neukirchen said he had no firm plans for the environmental engineering operations, largely built up by his sacked predecessor Mr Heinz Schimmelbusch, whose main ambition was to steer the company away from dependence on its traditional but cyclical core of mining, metals and smelting.

Lex, Page 16
Mission begins, Page 18

Le Monde joins bitter battle of the press

By Alice Rawsthorn in Paris

Le Monde, the bastion of tradition in the French press, on Monday joins the increasingly bitter battle in the newspaper industry by launching InfoMatin, a new morning paper.

Its debut, at a time when the sector has been badly bruised by economic recession, follows the introduction this week of Aujourd'hui, a national version of Le Parisien, the popular Parisian tabloid.

Both new titles are going on sale at low prices. Aujourd'hui is being sold for FFr3.50 (60 cents), and InfoMatin for FFr3, both significantly cheaper than the cost of existing French dailies, including Le Monde at FFr7 and Le Parisien at FFr4.50.

The format of InfoMatin, which is backed financially by Le Monde, will be slightly smaller than a tabloid.

It is intended to appeal to young urban readers outside Paris who have eluded Le Monde in recent years.

Aujourd'hui, also aimed at a young readership, is a regionalised version of Le Parisien to be distributed outside Paris

Continued on Page 16

Asian markets fall after downgrading

By Michael Morgan in London and Louise Lucas in Hong Kong

Two of Asia's best performing stock markets plunged yesterday as a leading Japanese bank downgraded their weightings in its model portfolio.

Hong Kong fell 6.5 per cent, its biggest single day fall since the 1987 stock market crash, after Nomura cut its weighting from 8 per cent to 7 per cent. Kuala Lumpur shed 5 per cent, its largest ever one-day tumble, as its weighting was cut from 2 per cent to zero.

Mr Nicholas Knight, the Nomura strategist, said that the time had come to take profits in Hong Kong after the market's very strong run.

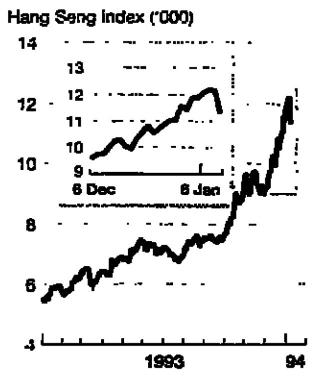
Much of last year's 115 per cent rise came in the last quarter after Nomura and Morgan Stanley in the US became aggressively bullish over the prospects for the market, pulling in US and Japanese funds.

Mr James Osborn, sales director with Baring Securities in Hong Kong said: "Obviously there were some people running for the door. But bearing in mind the market has gone up so much, investors can afford to sell down and still be taking home profit, even from investments made 10 days ago."

Mr Osborn reckoned the big sell-off came more from local investors, rather than overseas. He said international institutions, especially the Japanese, who have been relatively late entrants, were taking a longer term view and could afford to ride out the inevitable bouts of profit-taking.

Hong Kong

Hang Seng Index ('000)



Source: FT Graphite

Bangkok fell 2.4 per cent and Singapore was marked 1.8 per cent lower. There were also bright spots. Tokyo was firm as Nomura raised its weighting from 10 to 15 per cent and Manila shrugged off a downgrading from 2 per cent to zero as the market picked up. Australia remained at a six-year high.

World stock markets, Section II

CONTENTS

NEWS: EUROPE

Russia's economic prospects start to improve

By John Lloyd in Moscow

The Russian economy posted a drop in inflation, stability in industrial output and a rise in real wages and prices during the last quarter of 1993, according to figures released yesterday by the Centre for Economic Reforms.

Wages are now estimated to have averaged $105 month in December, with prices at about 30 per cent of those in the US.

Mr Andrei Illarionov, the centre's deputy director, said yesterday that the level of inflation, down to around 12 per cent last month, would drop to about 10 per cent a month in the first quarter of this year.

But he warned that a rise in the budget deficit this quarter would mean a further surge of inflation from April.

On present policies, unemployment would rise from its present level of about 1m to around 3m during this year.

The squeeze on inflation, running at nearly 30 per cent in August, has been accomplished by a drop in credits issued to commercial banks and to the other former Soviet states which had enjoyed creits and subsidies from Russia since the collapse of the Soviet Union.

Figures from the centre show no credits were advanced to neighbouring states from October, after a rate of advance which in July reached nearly 5 per cent of Russian GDP.

Mr Illarionov said the drop in inflation meant the central bank's interest rates, now at some 17 per cent a month, were strongly positive for the first time. If these trends continued, interest rates would be brought down in line with international practice.

The rate of the rouble against the dollar has stabilised since September, at just over 1,200 to $1. However the real exchange rate against the dollar has dropped to about 10 per cent of its level two years ago.

Mr Illarionov said the growing price levels were putting increasing pressure on Russian exporters.

One of the "sharpest political questions" in the next few months would be the demand for protection and increased import tariffs.

■ President Boris Yeltsin yesterday appointed Mr Yuri Baturin, 44, a lawyer who has helped to draft Yeltsin decrees, to the powerful new post of national security adviser to oversee Russian intelligence and counter-intelligence, Reuter reports from Moscow.

Germany's ministries in Nato accord

By Judy Dempsey in Berlin

In the run-up to the Nato summit on Monday, Germany's foreign and defence ministries, have put aside their differences about the alliance's relationship with eastern Europe.

However, the government consensus is being overshadowed by a debate in the media and between deputies in Chancellor Helmut Kohl's governing Christian Democrats who want the summit to offer eastern European countries either a concrete timetable for eventual membership, or security guarantees for the region.

The differences between the foreign and defence ministries are two-fold.

Mr Volker Rühe, the defence minister, has argued that eastern Europe should be brought quickly under Nato's security umbrella, leading eventually to membership.

Mr Klaus Kinkel, the foreign minister, prompted by his Russian desk, advises more caution, fearing that any commitment to include eastern Europe would be at the expense of isolating Russia and would play into the hands of the ultra-nationalists there.

At the same time, the foreign ministry wa^ts closer links between Nato and eastern Europe – and Russia – to run in parallel with the European Union's links with the region. The defence ministry plays down the importance of this linkage.

"Some capitals do want to have this kind of parallel process," a German diplomat said. "But if you were really cynical, that would mean that eastern Europe would never join Nato because the EU is reluctant to offer full membership to the region. Look at the way it still has trade barriers for the region," he added.

Yet according to CDU deputies, it is precisely the rise of nationalism in the former Soviet Union, in particular Mr Vladimir Zhirinovsky's far-right-wing Liberal Democratic party, and the crisis in the former Yugoslavia, which necessitates a Nato extension of its security umbrella to eastern Europe.

The conservative Frankfurter Allgemeine daily newspaper said in an editorial yesterday that the whole debate about Nato's relationship with eastern Europe was really about the need for Nato to redefine its role in a way which would provide security in regions which could potentially threaten the west.

Croatia to present new peace plan

By Judy Dempsey in Berlin and Laura Silber in Belgrade

The presidents of Croatia and Bosnia will meet tomorrow in Bonn in a move aimed at reaching agreement on an agenda for peace talks which re-open in Geneva next week.

Presidents Alija Izetbegovic of Bosnia and Franjo Tudjman of Croatia will hold talks with Lord David Owen and Mr Thorvald Stoltenberg, the international peace negotiators at Petersberg, the German government's official guest house.

German officials, who yesterday said they were surprised about being asked to host the talks, said they might help pave the way for progress at the Geneva peace talks.

However they said they could not expect too much from the talks largely because so many promises and agreements had been broken in the past. "We have to keep trying. If they give the impression they really want to negotiate, we have to keep the door open," an official said.

A German diplomat said growing international pressure on Croatia to stop interfering in the war in Bosnia, as well as continuing sanctions on Serbia might lead to some compromises. "We need a political settlement. But all three sides must be ready for it," he added.

Croatia said yesterday it would present new proposals for peace in Bosnia at the weekend summit but Zagreb's ambassador to Germany, Mr Ivan Ilic, did not specify what the proposals would be.

Lord Owen and Mr Stoltenberg yesterday warned that the war in Bosnia was stunting economic and political development in eastern Europe.

On a diplomatic shuttle in the run-up to the resumption of peace talks on January 18, Lord Owen called on Hungary to exert pressure on its southern neighbours to end the war. "You have to make your friends and neighbours aware of the cost and the political implications of continuing this struggle," he said in Budapest, after meeting Mr Geza Jeszenszky, the Hungarian foreign minister.

"It is spreading its tentacles out and up right through Eastern Europe," Lord Owen said after Croatian and Bosnian leaders held two days of talks trying to stop the fighting between Croats and Moslems.

The mediators' tour included a secret stop on Wednesday in Belgrade with Serbian President Slobodan Milosevic and Bosnian Serb leaders.

The government in Belgrade yesterday said the Serbian side had fulfilled its end of the bargain by coming up with more land for their Moslem adversaries. It called on the European Union to "fulfil its obligations by lifting sanctions", imposed 19 months ago on Belgrade for its role in the violent partition of Bosnia.

Despite the commitment to hand over at least 20 per cent of the 70 per cent held by Serb forces, Bosnian Serb military leaders have made clear they will not give up land under their control.

Meanwhile in Croatia, Mrs Madeline Albright, the US ambassador to the United Nations, demanded that war crimes investigators be allowed to investigate a mass grave near Vukovar, the eastern town devastated by the Serb-led Yugoslav army.

Associated Press

Six members of the same family, killed by a Serb shell this week, were buried by relatives and friends in Sarajevo yesterday

Gore reaches out to eastern European states

By George Graham in Washington

The Clinton administration is promising to remain engaged in Europe and to fight for the success of democracy in former communist countries.

As President Bill Clinton prepares to fly tomorrow to Brussels, Prague and then Moscow for meetings with leaders from the North Atlantic Treaty Organisation and eastern Europe, vice-president Al Gore staunchly defended the US's "Partnership for Peace" proposal for bringing the countries of eastern Europe into closer association with Nato.

Although many of these countries have complained that the proposal falls short of the promise of eventual Nato membership which they seek, Mr Gore said it represented an "evolutionary process of Nato enlargement".

"It is a step toward adding new members of Nato," he said in a speech delivered in Milwaukee in the place of Mr Clinton, who flew to Arkansas following the death early yesterday morning of his mother, Mrs Virginia Kelley.

Nato countries have been torn between the desire of countries such as Poland and the Czech Republic for early entry into the alliance and Russia's misgivings about being isolated by an expanded Nato. Mr Gore said Mr Clinton's objectives on his 10-day trip to Europe would be to revive Nato, support democracy, reduce the dangers of nuclear and chemical weapons and help the transition to market economies in the former communist countries.

Mr Gore argued strongly that supporting the countries of eastern Europe was an investment in US security.

Sanctions put shoppers in front line

Yugoslavs are hunting for food and petrol across the border, writes **Laura Silber**

"You went shopping in Hungary," commented Mrs Mila Novakovic, peering from her Belgrade flat at the dozen plastic bags piled on the staircase. "How much did that yellow cheese cost?" she demanded of her upstairs neighbour.

Mrs Novakovic, like most Serbs, currently is weighing up whether a day of grocery shopping in the Hungarian frontier town of Szeged, about three hours away from the Serbian capital, is worth paying the new DM10 ($5.75)tax to cross the Yugoslav frontier.

Strapped for cash, the Yugoslav federal government last week imposed the exit tax for each Yugoslav citizen and DM30 per vehicle.

Government officials claimed the tax would help cover the costs of "growing humanitarian needs" in the face of the "unjust economic sanctions" imposed by the United Nations.

But critics called the tariff yet another government ploy to skim some of the profits off the many black marketeers. They make daily runs across the border, returning to Yugoslavia with a wide range of wares, from jerrycans of petrol to cartons of cigarettes and medicines.

Since the UN imposed sanctions on Belgrade 19 months ago for its role in the partition of Bosnia, smuggling has become one of the most profitable pastimes in Serbia. Inhabitants of Yugoslav border towns have turned to the sale of petrol.

Inflation in Serbia in December was running at one million per cent. Most shops accept only D-Marks. The average monthly wage has fallen to the equivalent of DM4

But on a more mundane level, many Yugoslavs last year did their shopping abroad. According to government estimates, some 2m people crossed the frontier in November alone. Hyperinflation, chronic shortages and unemployment left them little choice.

Hard-pressed to afford black market prices for milk, cheese, and staples unavailable in Serbian stores, armed with long grocery lists and precious hard currency, people wait in queues for up to 20 hours to enter Hungary, Bulgaria, Romania or Macedonia, the former Yugoslav republic.

In Szeged, just 20km from the frontier, local shopkeepers grumble that Serbs are buying up everything, in particular, coffee, milk and detergent. Until the new tax, Szeged appeared a boom town. Shops were packed with Serbs and ethnic Hungarians from the Vojvodina province of Serbia.

The Serbian economy has been devastated by financing nearly three years of war and by the effects of sanctions.

Inflation in December ran at one million per cent. The average monthly wage has dropped to the equivalent of DM4.

Most shops, except for a handful of state stores, accept only D-Marks, spurning the decimated dinar, the Yugoslav national currency.

The National Bank last week chopped nine zeroes off the dinar, just two months after the last six. Five hundred billion dinars became 500, which yesterday was worth four pfennigs. In spite of the national mint working overtime, dinars were all but impossible to find in the run-up to the Orthodox Christmas celebration.

Back from shopping in Hungary, Yugoslav clerks at the exchange bank kindly advised travellers to drive to the nearest town to convert their hard currency into dinars at a local cafe at the unofficial rate. "If we had dinars, you would lose a lot of money – the rate here would be 50 per cent below the street rate," they said.

This week, after the exit tax was introduced, the motorway from the Hungarian border to Belgrade was nearly deserted, except for the occasional police checkpoints. Traffic has dwindled since the sanctions, which includes an oil embargo.

Black marketeers were positioned along the road hawking cannisters of petrol and diesel stacked on car roof racks in the shadows of the long January night. Their earnings increased this week as petrol soared to DM4 per litre in the New Year.

On the return trip, toll booth operators waved drivers through if they said they had no dinars. The paltry toll of 500 dinars was evidently not worth the bother. The few cars driving down the misty road were laden with bulky packages of toilet paper, bottles of coca-cola, and sugar which, in many cases, hid cannisters of petrol.

Looking over the rims of spectacles, Mrs Novakovic sighed about the high price of salami in Belgrade. "I never would have considered waiting for a day to buy milk, but what else can I do?"

Polish share deals tax mooted

By Christopher Bobinski in Warsaw

The Polish finance ministry is considering imposing a tax on share dealings on the Warsaw Stock Exchange, to head off criticism of the ministry's budget proposals, presented to parliament yesterday.

The move came as the new centre-left government braced for criticism of its budget from its own parliamentary supporters. The budget constituted a concession to left-wingers in the Left Democratic Alliance (SLD) parliamentary group.

The exchange enjoys a general tax holiday, due to run until the end of 1995. Mr Leszek Miller, labour minister, argues his ministry's budget should be increased and has threatened to call for a capital gains tax if his demand is refused.

The draft budget's spending and deficit targets are within International Monetary Fund guidelines. Mr Marek Borowski, finance minister, yesterday urged his coalition deputies, who enjoy a majority in parliament, not to change it when it goes into the committee stage.

The proposed budget assumes revenues will reach 610,000bn zlotys (£19.3bn) this year while the 83,000bn zloty deficit will correspond to 4.1 per cent of GDP. The mooted 1 per cent share deals tax would raise 2,500bn zlotys this year, but could cause a crash when the government hopes a series of flotations will advance its privatisation programme.

Sud Marine yard in liquidation

By Alice Rawsthorn in Paris

The Sud Marine shipyard, one of the largest yards in the port of Marseilles, was put into liquidation by a French judge yesterday, adding to the woes of the economically depressed city.

The yard's 615 workers, who have been occupying the shipyard for the past 10 days to protest against the threatened closure, vowed to continue their occupation to try to force the French government to rescue it.

The Sud Marine's future has hung in the balance since November when it went into receivership.

Bouygues, the French construction company, was mooted as a possible rescuer.

But it failed to agree a deal with the government, and in the absence of any other potential buyers, the authorities have liquidated the yard.

Mr Gérard Longuet, the French industry minister, said the Sud Marine was not competitive in terms of pricing and performance.

Mr Robert Vigouroux, socialist mayor of Marseilles, blamed the shipyard's demise on the long history of industrial unrest at the city's docks.

Liquidation of the Sud Marine is a bitter blow to Marseilles, which has faced economic problems after years of industrial decline The city, once a prosperous fulcrum for trade between France and its North African colonies, has suffered severely from the dismantling of the French empire.

Marseilles' population over the past decade has fallen by 100,000, down to 800,000. The level of unemployment at 20 per cent is almost twice the national average for France, rising to 30 per cent in the poorest areas of the city.

The conservative French government has continued efforts initiated by the previous socialist administration to try to make the docks more efficient by modernising labour practices.

But the reforms have triggered a wave of strikes and stoppages by protesting dock workers.

Paris plans savings market reform

Mr Edmond Alphandéry, the French economy minister, yesterday confirmed that he plans to table legislation for a radical reform of the Caisse des Dépôts et Consignations, the state-controlled savings institution, writes Alice Rawsthorn.

The reform of the Caisse des Dépôts, an idiosyncratic institution which dominates the French savings system and is involved with public sector funding, has been mooted since last March when Mr Edouard Balladur's centre-right coalition government took office.

France's banks have lobbied for it to be dismantled in order to open up the savings market.

Mr Alphandéry said he "did not favour the dismemberment" of the Caisse des Dépôts.

However, he said he felt that its public sector interests and competitive activities should be separated.

The plan to reform the Caisse des Dépôts forms part of the Balladur government's general economic programme of liberalising France's financial institutions.

Other measures include the granting of independence to the Bank of France and the privatisation of Banque Nationale de Paris (BNP) and Crédit Lyonnais, the main state-controlled banks.

Government will listen to manufacturers' objections

Italian cabinet defends drug reform

By Haig Simonian in Milan

The Italian cabinet has defended its reform of drug sales, despite continuing confusion among the public and bitter attacks from pharmacists and drugs companies.

Mrs Maria Pia Garavaglia, health minister, said the government would listen to manufacturers' objections to the amended list of free medicines. But the cabinet refused to suspend or substantially alter the new list, in which medicines are divided into three categories based on being free, subsidised or sold at full price. "I am sure the long-term benefits are worth the short-term difficulties," she said.

Companies have a 30-day period to appeal against the removal of products from the new free list, which came into effect on January 1. Mrs Garavaglia said after a cabinet meeting on Wednesday night that officials would meet soon to "register difficulties and suggest remedies".

The only change the cabinet made was to cut penalties on pharmacists and doctors dispensing drugs without prescriptions. Maximum fines on pharmacists selling drugs requiring prescriptions without a doctor's authorisation have been halved; repeat offenders will no longer risk enforced closure of their shops. Fines on doctors will be halved.

The confusion follows the simultaneous introduction last Saturday of two reforms. The first imposed a new list of free medicines under the government's plans to hold spending on drugs to L10,000bn (£3.95bn) in 1994. Pharmacists have also had to enforce much stricter rules on dispensing drugs without prescriptions.

The reforms triggered bitter scenes at pharmacies as patients have reacted angrily to having to pay for drugs previously free, or to being turned away because they lacked prescriptions. Prof Luigi Frati, head of the committee which drew up the list, said the new rules were not designed for pharmacists, but to cover patients' needs.

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French economy minister prefers to wait and see

By John Ridding in Paris

The French government will decide by the end of the first quarter of the year whether to implement measures to stimulate the economy, Mr Edmond Alphandéry, the economy minister, said yesterday.

Mr Alphandéry, speaking at a business conference, said that it was necessary to assess the current economic performance before deciding on expansionary measures. But he added that the strong performance of exports was supporting the economy and would help achieve the target of a 1.4 per cent rise in gross domestic product this year.

The two principal uncertainties, according to Mr Alphandéry, are the prospects for consumer spending and the performance of the German economy, France's principal trading partner. He noted, however, that it would take only a small shift from savings to reach the government's target of a 0.7 per cent increase in consumer spending.

The economy minister said that an expected decline in interest rates should also help economic recovery.

The government, which has surrendered control of monetary policy to the newly independent bank of France, has based its economic projections for this year on average three-month borrowing costs of 5.3 per cent, compared with the current level of just over 6 per cent.

The economy minister said that the government's priorities this year included a reduction of the public sector deficit and the fight against unemployment. With respect to unemployment, he said that measures were needed to increase the number of jobs in the service sector and to facilitate youth employment.

Alphandéry: no quick fix

Mr Alphandéry's comments followed remarks from the socialist president, Mr François Mitterrand, who called for stronger measures to curb the rise in unemployment, currently more than 12 per cent of the workforce.

"We have to create jobs, millions of jobs. We have to turn the tide of unemployment," said Mr Mitterrand in a new year's address to unions and employers. In a criticism of Mr Edouard Balladur's government, Mr Mitterrand also questioned the transfer last year of FFr80bn to French industry which, he said, had not affected unemployment.

Inflation down in Greece

Greece's annual consumer price inflation rate fell to 12.1 per cent in 1993 and should be in line with the European Union average by 1997, Reuter reports from Athens.

The inflation rate met government targets for 1993, and was down from 14.4 per cent in 1992.

Greece hopes to bring inflation to below 10 per cent by the end of this year. This would be the first single-digit figure in 20 years.

The 1993 rate of 12.1 per cent is about three times the present EU average.

Mr Yannis Boutos, central bank governor, said yesterday Greece's biggest problems were bringing deficits under control and fighting tax evasion.

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Mexico rights probe in area of conflict

By Damian Fraser in San Cristóbal de las Casas

The Mexican army sealed off roads to the conflict areas in the country's southern state of Chiapas yesterday as the head of the government's human rights commission promised to investigate claims that soldiers had executed rebels captured at the town of Ococingo.

Mr Jorge Madrazo, president of the National Commission of Human Rights, told reporters that he would investigate any offences, including those by the army.

His organisation has sent forensic experts to examine the bodies.

Mr Madrazo did not say when a report would be issued. The bodies of the rebels have been sent to Tuxtla Gutiérrez, the Chiapas state capital, where the forensic examination will be carried out.

The seven rebels appeared to have been shot in the back of the head at close range. String was attached to their hands, and they had lesions on their wrists, suggesting they had been tied up before death.

All were wearing outfits of the peasant guerrillas.

The army had cut off the main route to Ococingo on Wednesday afternoon, even though the region appeared to be under control. There has been no sign of guerrilla attacks along it.

The army has also been blamed for the death of a young girl on Wednesday. She was travelling in a minivan with four adults when it was shot at by soldiers. Reporters who saw the bodies said there was no sign the adults were guerrillas. The army says the minivan had broken though a road block.

The hills and villages around San Cristóbal, subject to army rocket and cannon fire on Tuesday and Wednesday, were largely deserted yesterday. One rocket had hit a house, partially destroying it.

Residents said no guerrillas were nearby.

The guerrilla Zapatista Army of National Liberation, protesting at the plight of indigenous people in poverty-stricken Chiapas, launched their military action on New Year's Day.

Last of one of America's biggest spenders

Jurek Martin bids a farewell salute to "Tip" O'Neill, son of a bricklayer who rose from Boston ward politics to become a powerful and respected Democratic Speaker of the House of Representatives

Most elected officials go through life without uttering a memorable spontaneous sentence. "Tip" O'Neill's most celebrated aphorism – "all politics is local" – must now be part of the universal political lexicon.

It is also the perfect epitaph of the man himself, christened Thomas Patrick but always known by his nickname, who died of cardiac arrest in his home town of Boston on Wednesday night. This son of a bricklayer spent a life in politics, 34 years in the House of Representatives, rising to become its powerful Speaker from 1977-86.

But he never lost a sense of his working-class roots, both his native Irish ones and those from the Italians who made up a good part of his district.

He was, nonetheless, an intimate of the patrician Kennedy clan, inheriting John Kennedy's House seat in 1952 and bequeathing it to the late president's nephew, Joe Kennedy, in 1986.

He could be critical of them, once labelling Robert Kennedy a "self-important upstart", but the Kennedy family was warm in its praise yesterday, with Senator Edward Kennedy calling him "a giant of a man, a giant of a Speaker and a giant of a friend."

O'Neill was raised in the ward politics of Boston. He was first elected as a ward committeeman in 1936 while still a student at Boston College and became a symbol of the city-based, ethnically sensitive Democratic Party, an unrepentant partisan liberal proud to call himself "one of the biggest spenders of all time."

His finest hours may well have been as the leading Democratic counterpoint to President Ronald Reagan's determination to eviscerate the great social welfare legislation in th US that O'Neill had spent his career helping to create. At the time, his party was demoralised, having lost not only the presidency in 1980 but also control of the Senate – though not the House.

By the time the Speaker stepped down, the Democrats were on the way to recovery and Mr Reagan's second term was proving nothing like as productive as his first.

O'Neill, though a conspicuous patriot, was always suspicious of foreign adventures and, in 1967, he was one of the first Congressional Democrats to break publicly with President Johnson over the Vietnam war, which, he said, was "too high a price to pay for an obscure and limited objective."

"Tip" O'Neill: respected by his opponents Picture: Reuter

He was an equally sharp critic of the Reagan administration's interventions in Central America and, after initial support, in Lebanon.

He derided Mr Reagan in public, once memorably calling him "the least knowledgeable of any president I've ever met on any subject." Yet, typically, he got on well with Mr Reagan in private, as he did with politicians of all stripes, over a drink or on the golf course. Even President Nixon, for whom he had little time, paid him the true, albeit backhanded, comment in 1984: "He plays hardball; he doesn't know what a soft ball is."

At 6ft 3 ins tall, 250-plus pounds, with flowing white locks and a permanent air of the rumpled, he was a dominant figure in more ways than one, the dream of critical cartoonists who loved to portray him as the quintessential Congressional manaager of the pork barrel.

For much of his career before he became Speaker, this was mostly what he was, a self-confessed backroom politician, mostly interested in the welfare state and the needs of his constituents, who returned the compliment by always returning him to the House easily, sometimes unopposed, 16 times. He used to arrive in Washington on Tuesday morning, go back to Boston on Thursday night, and did most of his deals on the golf course, in poker games and over dinner.

In 1976, though, he became Speaker at a time when the House was in great flux, its long-standing seniority system in tatters and his predecessor, Carl Albert, virtually unknown to the wider public. The Bostonian determined to give his office, and the House, a higher profile, using the media to the maximum advantage.

This paid particular dividends in his battles with Mr Reagan, whom Mr O'Neill ackowledged as a master of communications. But it was a strategy that also encouraged more Congress members to become more independent as they sought the media limelight. Today, party discipline in the US Congress is worse than it ever was, a by-product of which he profoundly disapproved.

A partisan to the end, "Tip" O'Neill would have appreciated the comments yesterday by another partisan from the other side of the fence. Senator Bob Dole, the Republican minority leader said: "I considered him one of my best friends in all my time in Congress. No doubt about it, he was a Congressman's Congressman who will go down in American history as one of the great political leaders of our time."

Collusion charge by Republicans

Top Republicans accused the US Justice Department yesterday of colluding with the White House to shield documents related to President Bill Clinton's involvement in a failed Arkansas real estate venture, Reuter reports from Washington.

"It's mind-boggling to think that the White House and the Justice Department would work together in a matter that might involve some criminal activity," said Mr Bob Dole, the Senate Republican leader, speaking on the Fox Morning News.

"I don't know of any precedent for this," he said.

"It seems to me this cries out for an independent counsel."

The White House said on Wednesday that Mr Clinton's personal lawyer had arranged to have the Justice Department subpoena records on Whitewater Development, the failed vacation-home developer.

The subpoena had the effect of sealing the documents, closing them to public scrutiny.

Ms Dee Dee Myers, the White House spokeswoman, said the White House began yesterday to turn over the files, which she said amounted to 5 or 6 boxes of material.

The files include "things rounded up during the campaign, from accountants, anything that [Clinton's lawyer] thinks is relevant," as well as documents discovered in deputy White House counsel Mr Vincent Foster's office after his suicide on July 20, she told reporters.

Mr Newt Gingrich, number-two Republican in the House, yesterday called the way the documents were supplied to the Justice Department "very, very disturbing."

Republicans have been calling for an independent counsel to investigate Clinton's dealings over Whitewater.

The Clintons deny any wrongdoing.

Brazil car sector posts record sales

By Angus Foster in São Paulo

Brazil's car industry yesterday announced that 1993 was its best year since the 1970s, with record car sales and increased profitability.

Vehicle production, which is dominated by US and European makers, increased almost 30 per cent to 1.39m units last year, compared with 1.07m in 1992.

Sales to the domestic market increased 43 per cent to 1.1m units, helped by a moderate economic recovery and an agreement between the government and manufacturers to lower prices for small cars.

Mr Luiz Scheuer, president of Brazil's vehicle manufacturers association, said production should continue to grow this year, although more modestly.

However, motor executives admit privately that Brazil's overall economic uncertainty, and a threatened tax increase on car sales, make predictions difficult.

Some observers further caution that consumers are increasingly buying cars as a hedge against inflation, which last year reached 2,500 per cent.

The figures also highlighted a rapid increase in foreign imports following the 1992 reduction in import tariffs by former President Fernando Collor.

According to preliminary figures, imports roughly doubled to nearly 60,000 units in the first 10 months of the year.

Excluding imports by companies such as Volkswagen, General Motors and Fiat which have operations in Brazil, imports more than doubled to 28,000 units and are set to grow rapidly again this year, according to Mr Scheuer.

Argentina's unions in tax investigation

By John Barham in Buenos Aires

Argentina's feared tax inspectors are investigating suspected large-scale tax evasion at the country's trade unions. The investigation coincides with a bitter dispute between President Carlos Menem's Peronist government and Peronist union bosses and over labour market reform and union funding.

The unions have threatened to call a general strike this month in protest at the government's decision to cut company tax contributions to union-run welfare funds, part of the strategy of Mr Domingo Cavallo, economy minister, for reducing Argentina's high labour costs.

The cuts, variously estimated at the equivalent of \$400m-\$800m (£269m-£538m) a year, strike at the heart of the unions' finances. The money, which together with union dues and employee contributions adds up to about \$2bn a year, is channelled into union health and welfare funds.

It is widely suspected union leaders skim money from these funds to finance their luxurious lifestyles.

Mr Ricardo Cossio, head of the tax department, said yesterday he was also investigating bosses' personal wealth. But, he said, "there is absolutely no link to political problems."

This cuts little ice with the union leaders, who complain of "persecution." Mr Menem, who is attempting to stand for a second presidential term, clearly feels he has little to fear from union opposition.

Japan set to fuel economy again soon

By William Dawkins in Tokyo

Japan yesterday politely rebuffed US warnings not to rely on the yen's weakness to deliver a recovery, but said it would produce another round of measures to stimulate the economy in the next few weeks.

"We should make efforts to stabilise the yen," said Mr Masayoshi Takemura, chief cabinet secretary. But he was not worried about the yen's weakness and saw the Japanese currency's recent decline as a sign of the dollar's strength, as shown by the US currency's rise against other leading currencies such as the D-Mark.

Mr Morihiro Hosokawa, Japan's prime minister, said he would "draw up comprehensive economic measures by about the middle of January". This would take the form of a combined 1994-1995 budget and supplementary budget for the current tax year, he told the upper house of parliament's political reform committee. "We will do all we can to dispel doubts about the future as soon as possible."

The government is unable to take economic initiatives so long as it remains fully occupied trying to push plans to reform the political and electoral system through the upper house of parliament. Attempts to launch an economic package last month had to be shelved.

The opposition Liberal Democratic Party is using procedural blockages to wring concessions on a new electoral system and over planned curbs on political funding. These tactics have aroused growing alarm among businessmen, formerly an important LDP power base. Japan's four leading business federations warned that the recession will worsen if the wrangle over political reform brings down the government.

"The government is under worldwide pressure to reflate. They know they should try to fit in, but political reform has to come first. If we don't get political reform this month, then we can expect an early general election, and that will clearly be bad news for economic policy," said Mr Tom Hill, strategist at SG Warburg Securities in Tokyo.

Following the renewed US-Japan tension over the exchange rate, the yen strengthened slightly from Y113 .33 to the dollar to Y112.65 in Tokyo yesterday. At that level, the yen is still down 11.5 per cent from the record high of Y101 to the US currency last August.

In private, Tokyo government officials hope for a continued fall in the yen to about Y115 to the dollar. Businesses want an even steeper decline. Exporters will only break even at Y120 to the dollar, said Mr Kosaku Inaba, chairman of the Japan Chamber of Commerce – a level also cited by the Keidanren business federation.

Help promised for multimedia development

By Michiyo Nakamoto in Tokyo

Japan's Ministry of Posts and Telecommunications said yesterday it planned to promote the build-up of Japan's advanced telecommunications networks and support their use for a range of multimedia services, including broadcasting, which it believes could create markets worth Y123,000bn (£736bn) by the year 2010.

Mr Takenori Kanzaki, posts and telecommunications minister, said yesterday the government intended to help nurture that market as a key sector for the future Japanese economy and that the multimedia market in Japan was expected to create 2.4m jobs by that year.

The ministry's indication of support for multimedia, which combines transmission of video, graphics and voice, reflects a growing recognition that Japan will be left behind in advanced information and communication services unless the government promotes infrastructure improvements and relaxes the regulatory environment.

NTT, Japan's dominant telecommunications group, and electronics companies have frequently complained that the country's strict rules separating telecoms and broadcasting have hampered the move towards multimedia services, such as video on demand, teleshopping and interactive television which blur the boundaries between the two industries.

Under existing rules, NTT is prohibited from engaging in businesses that fall outside its main sphere of providing telecommunications services so that it cannot offer broadcasting services, for example, on its telecommunications network.

Although such restrictions do not apply to Japanese cable television companies, some of which offer telecommunications services, the scale on which they operate is too small and their profitability too low for them to build national operations. Telecommunications companies which compete with NTT are also still relatively small in scale.

Japanese companies have been frustrated with the lack of direction on multimedia from the Japanese authorities as they watched a growing number of telecommunications and cable companies join hands in the US to lay the foundation for the growth of promising multimedia markets there.

Mr Kanzaki's comments, which come ahead of a report in March by the Telecommunications Council, raised hopes that the telecommunications authorities intend to bring down the barriers separating telecommunications from broadcasting in order to promote new businesses in those industries. The news lifted shares in NTT by Y12,000 to Y778,000 as well as other information and communications issues on the Tokyo Stock Exchange yesterday.

Together with recent indications that the Japanese authorities intend to liberalise the country's cable television market, the possible deregulation of telecoms and broadcasting also opens the door further to US telecommunications and cable companies.

There has been a dramatic fall in foreign and domestic investment in the manufacturing sector

Danger signals flash on Malaysia's road ahead

By Kieran Cooke in Kuala Lumpur

Questioning the sturdiness of Malaysia's economy is rather like asking for a plate of roast duck in a vegetarian restaurant. It is just not done.

After all, the economy turned in another healthy performance last year, growing by at least 8 per cent – the sixth successive year of 8 per cent GDP growth. People talk proudly of Malaysia's economic miracle.

Unemployment is under 3 per cent and the country is industrialising fast, with manufacturing output up more than 13 per cent in the first nine months of 1993.

But figures released yesterday showing a dramatic fall in both foreign and domestic investment in Malaysia's manufacturing sector are likely to introduce a sombre note amid all the economic euphoria.

Total investments in Malaysia's manufacturing sector in 1992 were M$27.7bn (£7.1bn). In 1993 total proposed investments fell to M$13.27bn. Within that figure foreign investment fell by 66 per cent to M$6bn.

Investment from domestic sources also fell sharply in 1993, by 27 per cent. In 1992 domestic investment had fallen by more than 30 per cent.

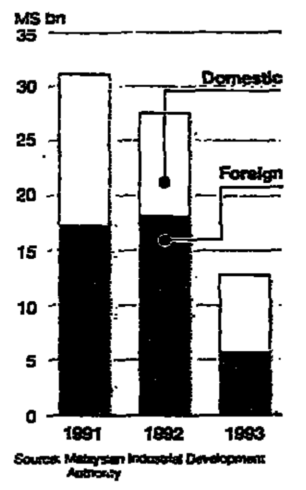
Mrs Rafidah Aziz, Malaysia's minister for trade and industry, said government investment targets were being met, despite the decline. Malaysia had now accumulated nearly 90 per cent of the M$80bn total investment targeted under the present five year plan (1991-95); there was evidence of more reinvestment, with existing investors expanding their operations.

The investment slowdown was not unique to Malaysia. "Foreign direct investment in other Asean countries also showed a marked decrease last year," Mrs Rafidah added. "For example, Japanese investment in Asean in 1992 amounted to $3.86bn; in the first six months of 1993, it amounted to only $1.33bn". Investment in Asean by Taiwan and South Korea had dropped even more sharply.

But the investment drop does present a serious challenge to Malaysia's onward economic growth and its ambitious plans to become a fully industrialised country by 2020.

One of the main reasons for the decline in foreign investment is that Malaysia is no longer an attractive destination for labour-intensive industries.

Investment in Malaysia



Source: Malaysian Industrial Development Authority

Mrs Rafidah Aziz: meeting investment targets

Wages in China and Vietnam are well below those in Malaysia. Malaysia is facing serious labour shortage problems in many areas: again, China, Vietnam and also Indonesia have a plentiful supply of cheap labour.

Malaysia says it wants to climb the technological ladder. It needs foreign investment to achieve this goal. But it faces a dilemma. Malaysia has a chronic lack of technicians and engineers. Malaysia's universities still produce far more arts than science graduates. Thailand and the Philippines have higher proportions of students in tertiary education than Malaysia.

Though the government is making a concerted attempt to revamp the education system, the result will not be seen for some years. Meanwhile, high-technology industry investors are going elsewhere.

For many years Singapore has been encouraging science and technical education. Singapore is one of the region's most expensive investment locations: yet according to official figures, foreign investments went up again in Singapore last year – from S$3.5bn ($2.3bn) in 1992 to S$3.9bn.

The Malaysian government says that Malaysia must become less dependent on outside investment and raise more from domestic sources. Despite the fact that many Malaysian companies are sitting on considerable hoards of cash, they are still often reluctant to commit themselves to long-term investments in the home market.

Some economists blame the stock market for the tardiness of domestic investment. The Kuala Lumpur index rose 98 per cent last year and the bourse, in terms of market capitalisation, has become by far the biggest in south-east Asia.

"Things have reached a dangerous stage," one Malaysian economist said. "There is plenty of cash about, but people prefer to make quick money on the stock market than invest in long-term productive enterprises.

"The fundamentals of the economy have not changed much in the past nine months, yet the market has roared ahead. People are beginning to think that a booming stock market is synonymous with a thriving economy."

A few more dark clouds lie on the economic horizon.

The government is seriously concerned about rising prices and upward pressures on wages which could harm Malaysia's export competitiveness. The official inflation rate rose to 3.5 per cent in October from 2.8 per cent in mid-1993: many feel the actual inflation rate is higher.

Bank Negara, the central bank, has had to mop up large amounts of excess liquidity in the system, caused by heavy inflows of foreign capital attracted by comparatively high interest rates, a steady local currency, and the high-flying stock market.

Earlier this week, Bank Negara announced it was raising the statutory reserve requirement for banking institutions from 8.5 per cent to 9.5 per cent, to help mop up excess liquidity and prevent further inflationary pressures.

Malaysia's economic figures are still impressive, the envy of many countries. But a few bumps are appearing along the high-speed road to full industrialisation.

Yitzhak Rabin visiting the Allenby bridge between the West Bank and Jordan yesterday. Border controls remain unresolved Reuter

Israel and PLO to resume full negotiations in Taba next week

Fax diplomacy breaks the impasse

By Mark Nicholson in Cairo

Israel and the Palestine Liberation Organisation yesterday ended more than a week of stalled talks and fax diplomacy by agreeing to resume full negotiations on Monday on an Israeli withdrawal from Gaza and Jericho.

A joint PLO and Israeli announcement yesterday to meet again next week in Taba, the Egyptian resort, breaks an impasse in the negotiations which followed a row between PLO and Israeli officials over whether or not they had reached a textual agreement of any kind during talks held last week in Cairo.

The Cairo talks had been making progress before the row broke out.

Only after more than a week of public accusations and private fax exchanges have both sides been able to agree that "understandings" had been reached which could provide the framework for the negotiations to resume.

Delegations from the two sides will now meet informally in Taba on Sunday and will resume negotiations on the following day.

Mr Nabil Shaath, the chief Palestinian negotiator, said the delegations would break into sub-groups, some of which would immediately begin drafting parts of an eventual final protocol on the Israeli withdrawal.

Mr Shaath said he believed final agreement on the withdrawal, which is already weeks behind the December 13 deadline set in the PLO-Israeli accord signed last year in Washington, could be achieved within two to three weeks.

"I'm optimistic that this is going to lead to the final stretch," he said.

He added that he did not see the breakdown in talks as the result of "bad faith", but rather "premature announcements" on the part of Israeli officials.

"The crisis of the last week was not really about the substance of the negotiations, but claims that there had been an agreement that was violated."

Central obstacles to a final agreement remain the control of border posts into Gaza and Jericho, the delineation of Jericho itself, and security arrangements at Israeli settlements.

However, Mr Shaath said in an interview that he believed differences had already been significantly narrowed on the size of Jericho and security at the settlements.

Israel "had already indicated willingness" to release more imprisoned Palestinians than the 600 they had already freed.

However, further releases were unlikely before a final accord is signed on the Israeli withdrawal.

On the thorniest issue of border controls, Mr Shaath said there were "important, creative options available" and that a solution would revolve around the segregation of arrivals into the Palestinian enclaves by nationality and types of travellers.

Tajikistan swaps Soviet roubles for Russian ones

By Steve LeVine in Tashkent

Most shops closed and goods were in short supply in the Tajikistan capital of Dushanbe this week as the ex-Soviet republic began converting to the Russian rouble. With its three-day phasing in of the rouble, to be completed tomorrow, the Central Asian republic of 5.3m people is taking the final step in ceding to Moscow almost complete control of its economy.

At Dushanbe's main bazaar, the republic's former currency, the old Soviet rouble, plummeted against the dollar to 20,000 to 1, down from 8,000 Soviet roubles to the dollar on Monday.

Residents of the capital crowded into banks to deposit up to 200,000 old Soviet roubles, the maximum permitted without a depositor explaining the source of the money.

The government did not set an official conversion rate of Soviet to Russian roubles, contributing to the uncertainty about the new currency. Instead, the government said it would issue a half-month's salary or pension in Russian roubles to everyone yesterday. Money changers with inside contacts in banks bought up the old currency, presumably expecting a windfall once the conversion rate is announced.

Already Moscow decides every part of Tajikistan's budget, a step to which the republic agreed because of the war that has shattered its economy. It is supported by more than 25,000 Russian troops, and Moscow also has promised a credit of Rbs100bn (£54m) to start its money supply, and thus far has delivered Rbs40bn.

With the launching of the currency, Tajikistan becomes the only ex-Soviet republic to adopt the Russian rouble. Belarus has not yet decided what to do. But, in binding itself closely with Russia, Tajikistan could have been encouraged by the mostly dismal performance of the national currencies launched elsewhere in the ex-Soviet southern belt.

In the eight republics of the former Soviet Caucasus and Central Asian regions, currency launches have been characterised by old style command and control. Those who have tried the most to set their currency's value – or those with wars, such as Armenia and Georgia – have generally had the worst experience.

One example is Turkmenistan, which launched its "manat" on November 1, backed by $300m in European bank deposits. Foreign analysts expected the currency's value to fall somewhat, but to be basically sound. Within days, however, the Turkmen president, Mr Sapurmurat Niyazov, appeared on national television, threatening to sack his national bank chairman, Mr Khudaiderdy Ozerov, if the manat did lose value. Mr Ozerov has taken the president at his word – the manat's official rate has hovered at about two to the dollar. The street rate, meanwhile, has plummeted to 25 to the dollar.

Mr Islam Karimov, the Uzbekistan president, has been so upset by the divergence in the official and street rates for his som coupon – the official rate is 1,150 som to the dollar, about one-fifth of the street rate – that his police have been rounding up citizens trading money in Tashkent bazaars and parading them before nightly national television audiences.

The Kazakhstan tenge and Kyrgyzstan som have been the southern rim's greatest successes, largely because the authorities have intervened the least, but also because they have had a lot of help. For one, Kurdistan – the first non-Russian CIS country to launch its own currency – is backed by an International Monetary Fund standby facility, and Kazakhstan appears poised to be the second to be granted one.

The Kazakh government is still not conceding itself completely to the market. "The government promised floating exchange rates, but the auctions seem relatively controlled," said a western economist in the capital, Alma-Ata.

Terror main weapon in Yemen war of political wills

The Arab nation's new-found democracy and unity are under threat, writes **Eric Watkins** in Sanaa

The Yemeni government appears to be foundering in the wake of alleged links with international terrorist groups, increased attacks on foreign workers and riots over the rapidly-deteriorating economy.

According to Sheikh Abdullah bin Hussein al-Ahmar, speaker of the Yemeni parliament, the political crisis in Yemen is passing through its worst stages and may "end Yemen's achievements in unity, democracy, and parliamentary elections".

The crisis began last August when vice president Ali Salem al Beidh head of the Yemen Socialist Party, stalked out of Sanaa and returned to his political base in Aden. Said to be angered by the marginalisation of his party by a growing alliance between President Ali Abdullah Saleh's General People's Congress and Sheikh Ahmar's Fundamentalist Islah Party, Mr Biedh has remained in Aden, declining to participate in government until Gen Saleh implements an 18-point programme of national reform mainly aimed at improving internal security, integrating the two former armies and curbing corruption, proposed by the socialists in late September. Gen Saleh has so far not given in to Mr Biedh's demand and the resulting stand-off has left Yemen in a state of economic and political disarray.

Economic problems were underscored on Tuesday when riots broke out in Taiz, 250km south of Sanaa. Spawned by an inflation rate which has jumped 50 per cent since August, the riot was soon contained by government forces with no deaths reported. But the riots, reminiscent of others in December 1992 which left more than 100 dead, raised fears of widespread unrest as the Yemeni riyal plunged from 70 to 100 to the dollar in unofficial trading on Wednesday and yesterday

The government is also unable to control the growing number of attacks on expatriates workers. Sent by helicopter to investigate the bombing of an oil pipeline, two employees of the Yemen-Hunt oil company were kidnapped by tribesmen on Tuesday and have yet to be released. Other tribesmen are reported to have shot at employees of the Canadian Occidental oil company, and at others working for Schlumberger, an oil-support group.

Yemen's political and economic headaches were compounded last week when Gen Saleh had to fend off allegations that the US and Egyptian governments had implicated his country in international terrorism. Although neither Washington nor Cairo made the charges openly, the US State Department nonetheless confirmed that there had been "discussions" with Yemen about its links with groups suspected of terrorism in Egypt.

Terrorism and assassination are hardly unknown in Yemen. Indeed, they have almost become a way of life in the battle of political wits between Gen Saleh and Mr Biedh who joined the formerly Marxist south Yemen into an uneasy union with the tribalist north three years ago. Since then the country has been wracked by repeated violence, most of it directed against the YSP. Victims, they say, of 150 political killings, members of the YSP claim that General Saleh has turned a blind eye to terrorists and, in fact, has shielded them for his own political purposes.

Yemen also had a direct brush with international terrorism in December 1992 with the bombing of two hotels in Aden, which left three dead and narrowly missed about 100 US troops billeted there as part of Operation Restore Hope in Somalia.

One group of suspects has been tried and convicted while another group is on trial, charged with the formation of terrorist cells aimed at assassinating prominent southern officials, blowing up key political and economic installations, and establishing camps to train other terrorists. Prosecutors say that the conspirators, many of them exiles from the former south, confessed to being veterans of the war in Afghanistan and to having links with backers in Sudan and Egypt. Apart from personal revenge against leaders of the former south, the aim of the group, prosecutors say, was to undermine Yemen's democratic government and replace it with a fundamentalist regime.

Ignored by the Saleh regime, with its close ties to fundamentalist groups such as Islah, Aden security forces and the YSP sent details of the terrorist organisation to Egyptian authorities in early December. Prompted by the November 26 assassination attempt on the Egyptian prime minister, Mr Atef Sidqi, Cairo placed Yemeni expatriates under surveillance, cut direct telephone links between the two countries, and sent investigators to Yemen. Since then, the Egyptians have discovered a further plot which, they say, involves four other countries. Although the Egyptian prosecutor this week declined to name them, speculation has since focussed on Iran, Afghanistan, Sudan, and Yemen.

"The crisis has played a part in disfiguring Yemen's international reputation in the sense that it is now threatened with blacklisting as an international terrorist country," Sheikh Ahmar says, tying the allegations to the contest between General Saleh and Mr Biedh. But Yemen's reputation may yet have more to suffer. French diplomatic sources this week in Sanaa stated that France's counter-intelligence service, DST, has already warned Yemen against possible connections with terrorist groups in Morocco, Algeria, and Tunisia – connections which North African diplomats in Sanaa have long quietly confirmed.

Cameroon in border row with Nigeria

Cameroon said yesterday 500 Nigerian troops had occupied two of its islands, Reuter reports from Yaounde.

Nigeria denied the claim and sent its foreign and industry ministers to Yaounde for talks with President Paul Biya.

Mr Francis Nkwain, Cameroon's deputy foreign minister, said the Nigerian troops arrived on Diamond and Djabane islands in the oil-producing Gulf of Guinea on Monday.

He said the occupation was the worst border incident between the two countries for more than a decade but could blow over peacefully. He could not say if the troops used force or met any resistance.

The two West African countries have a long history of border disputes and met in the Nigerian inland capital Abuja last year to try to settle their differences.

هكذا منه الأصل

Airbus sees 13.7% rise in turnover

By Paul Betts, Aerospace Correspondent

Airbus Industrie, the European aircraft manufacturing consortium, yesterday reported a 13.7 per cent rise in turnover to $8.3bn (£5.58bn) last year from $7.3bn in 1992 despite a fall in deliveries and an even steeper drop in new orders.

Although deliveries fell from 154 aircraft in 1992 to 138 aircraft last year, the increased turnover reflected a shift in the pattern of deliveries with a bigger proportion of higher value widebody aircraft following the entry into airline service of the new Airbus A340 and A330 widebody airliners.

Airbus suffered 69 cancellations last year while new orders fell sharply to 38 aircraft from 136 in 1992, the group said.

The figures did not include orders for six A340s from Cathay Pacific and a further six A340s from Air Canada.

Airbus also announced yesterday its first orders for 1994 with Air Inter, the domestic French carrier owned by Air France, ordering nine A319 narrowbody airliners worth around $340m and taking options on an additional nine.

The consortium, whose partners include Aérospatiale of France, Deutsche Aerospace, British Aerospace and Casa of Spain, described 1993 as "one of the most difficult years on record" but said there were now signs of stabilisation in the air transport market.

However, it said its policy of rigorous order book management had enabled it to make less brutal production adjustments compared with its main US competitor, Boeing.

The consortium's revised production schedule will see deliveries fall to 134 aircraft this year, pick up to 138 in 1995 (the same as last year), and then rise to 154 in 1996, returning to the same level as in 1992.

Boeing, for its part, has cut its production rate by around 30 per cent from 32.5 aircraft a month at the beginning of last year to 23 aircraft last month. Boeing's monthly output will drop to 21 aircraft next month and then to 19.5 aircraft in November and to 18.5 aircraft in January 1995.

But the US manufacturer had a considerably stronger new aircraft order intake last year than Airbus, reflecting in part the launch of its new 737X narrowbody airliner and the new 767 freighter aircraft as well as the order build-up for its new 777 widebody twin-engine airliner.

Overall, Boeing won new orders for 246 aircraft worth $16.59bn last year compared with new orders for 243 aircraft worth $17.77bn in 1992.

Airbus said it would continue to monitor closely the evolution of the market, making further changes to its production plans when necessary. It also expected to see a recovery in the market in the second half of the decade.

With a large order backlog of 667 aircraft worth $55.4bn at the end of last year, Airbus said it had four years of production in hand.

By comparison, Boeing had an order backlog of more than 1150 aircraft at the end of last year.

Airbus said it believed it was strongly placed to take advantage of the recovery.

US moves to aid home industry

By Nancy Dunne in Washington

The Clinton administration yesterday was expected to announce a package of legislative proposals to help the US airline and aircraft industries, including one measure to permit increased foreign ownership of US airlines.

The proposals, set to be announced by Mr Federico Pena, the US transportation secretary, will be based on recommendations prepared by a presidential commission last summer. They are sure to provoke much controversy in Congress, particularly one which would strip the Federal Aviation Administration of its authority over air traffic control and establish a quasi-governmental corporation to take over that responsibility.

After taking office, President Clinton moved swiftly to attack the problems of the US airline and aircraft industries which have lost more than $10bn (£6.7bn) since 1990. The commission was given 90 days to make recommendations. It found, among other things, that the US air transportation system "is being hobbled by self-imposed and government-mandated attitudes and policies that are dysfunctional."

It said the system must be made "efficient and technologically superior" and the FAA must be "reinvented."

The administration was expected to forgo one commission recommendation – a rollback of ticket taxes from 8 to 5 per cent – on the grounds that the airline industry is recovering. However, officials are ready to accept a proposed change in law allowing the US to negotiate bilateral agreements that permit foreign investors to hold up to 49 per cent equity in US airlines.

Small operators benefit from Greek deregulation

By Kerin Hope in Athens

The success of Virgin Atlantic's first franchise operation, flying between London and Athens, underlines how deregulation has opened up opportunities for small airlines in Greece.

Until last year, Olympic Airways, the Greek state carrier, held a monopoly of both international and domestic passenger services based in Greece. Its subsidiary, Olympic Aviation, controls routes to the Aegean islands.

The Greek franchise-holder for Virgin Atlantic is South East European Airlines, an Athens-based carrier set up three years ago to fly cargo and small groups of tourists between Athens and the Aegean islands.

"Virgin provides the brand name and training to reach their standard of service, and we operate the flight with our own crews," Mr Tassos Pantazopoulos, SEEA's chairman, said. "To my knowledge, its the first extension of franchising to the airline business."

SEEA uses a leased Boeing 737-400 painted in Virgin livery for the daily flight, timed to compete with departures by British Airways and Olympic. Fares are 15-20 per cent lower than on the other carriers.

Mr Pantazopoulos said the passenger load factor averaged 80 per cent in the first six months of operation, with "a substantial percentage of regular business travellers."

The relationship with Virgin Atlantic has also given a boost to SEEA's plans for growth. The company intends to start a new route from Thessaloniki to Rome early next year using a Fokker 50 aircraft, to be followed by a Thessaloniki-Bucharest flight.

Mr Pantazopoulos says that other destinations in the Balkans and former Soviet Union, with flights originating in Thessaloniki where the airport is less congested than in Athens, "are the obvious option."

Greece's only other private carrier, Cretan Airlines, has similar hopes of becoming a regional airline, focused on the southern Mediterranean and the charter market.

Set up last year by a group of hoteliers and tour operators on Crete, the airline operates two Airbus A300-20, leased from Adria Airlines of Slovenia.

Cretan began regular charter flights last spring from several cities in Germany, the main source of tourists.

The medium-term prospects for both airlines will depend on the outcome of Olympic Airway's much-delayed plans for restructuring.

Teething troubles continue to nag at Mercosur market

John Barham and **Angus Foster** assess the chances of a four-nation South American trade venture

Negotiators from Argentina, Brazil, Paraguay and Uruguay, the four countries that make up the South American common market Mercosur, are holding a series of meetings over the next 10 days to try to restart their integration programme.

The meetings of foreign and finance ministers and officials will end in mid-January with a presidential summit in Uruguay. The encounters are an attempt to relax growing tension between Argentina and Brazil over trade and to seek a compromise over a common tariff structure.

Tariffs between the four are being gradually cut until they reach zero for most products by December next. Goods will then circulate freely while imports from outside Mercosur will be subject to common tariffs. Mercosur's integration timetable says the external tariffs were to have been established at the end of December.

But, in meetings last month, Argentina and Brazil failed to compromise on the level of tariffs to be applied, and on which "sensitive" products should be allowed higher tariffs as protection from foreign competition. The two countries are home to the region's biggest economies and their dispute threatens Mercosur's future.

The disagreement boils down to a divergence over industrial policy. Brazil wants higher external tariffs to protect such sectors as its high-technology and capital goods industries. Argentina, which is less industrialised, insists on low tariffs. Little Paraguay and Uruguay have been virtually shut out of the debate.

Meanwhile, Argentina is retaliating against what it claims are "unfair" Brazilian exports. Mr Domingo Cavallo, Argentina's economy minister, complains that Brazilian companies are dumping goods in Argentina. This week, he introduced protectionist measures against Brazilian chemicals. Like many other Brazilian products, these are increasingly competitive in Argentina because of falling tariffs. The Argentine minister has already imposed similar measures against steel, refrigerators, paper, agricultural machinery and textiles.

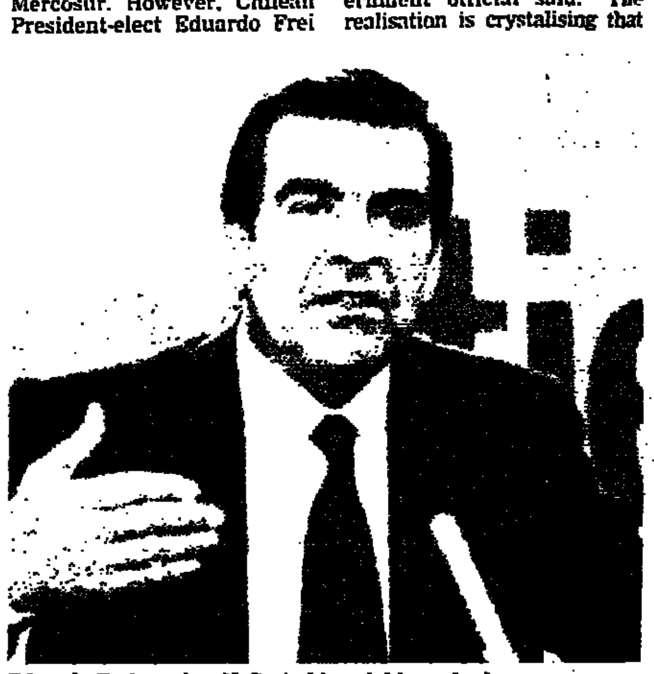
Brazil, which is increasingly irritated by Mr Cavallo's statements, says its exports are competitive because of Argentina's overvalued exchange rate.

Other problems divide the two. Brazil is struggling to stabilise its economy, while Argentina has achieved low inflation and high growth. Brazil's political scene is confused, while Argentine President Carlos Menem is consolidating his power.

Meanwhile, he does not hide his interest in joining the North American Free Trade Agreement. US President Bill Clinton has mentioned Chile and Argentina as the next potential candidates for membership. But a US official said: "We do not want Brazil in its present situation."

However, officals from both sides still stress that their relationship remains a cornerstone of foreign policy. Mercosur is intended as a framework for political co-operation between two countries which, until recently, were viewing each other as adversaries.

In a similar vein, Mr Menem has called on Chile, a country on which Argentina almost declared war in 1977, to join Mercosur. However, Chilean President-elect Eduardo Frei has signalled that he has no intention of doing so. He is probably intent on waiting for an invitation to join Nafta.



Eduardo Frei: prefers Nafta to his neighbours' scheme Picture AP

Brazil's deepening problems and trade disputes with Argentina are leading both partners to question whether earlier hopes of full economic integration can be achieved under the original timetable. They may be forced to settle for a more realistic, less ambitious, customs union in which free trade would only initially apply to certain sectors of products.

The four have agreed on common tariffs of 0-20 per cent for nearly all the goods they import. But they cannot agree on tariffs for capital goods, telecommunications equipment and computers. Brazil insisted originally on a 20-35 per cent tariff for these goods until 2001; Argentina demanded zero tariffs.

Argentina wants low tariffs to encourage industry to modernise. Mr Jorge Herrera Vegas, Argentina's under-secretary for economic integration, said capital "goods should be bought as cheaply as possible in the international market. Argentina is preparing for a leap in exports. It needs the most technologically advanced goods."

But Brazil protests that it cannot compete against American, Japanese and European goods imported duty-free by Argentina. The Brazilians also demand preference for their goods in Argentina because the latter is using privileged access to Brazil's much bigger market to provide its industry with the economies of scale needed to raise international competitiveness and become attractive to foreign investors.

Hope is dwindling that the upcoming meetings will lead to compromise. A Brazilian government official said: "The realisation is crystalising that free trade will not be complete in 1995. Computers, telecommunications, electronics and capital goods will probably be subject to different tariffs in 1995."

Even so, despite the inter-governmental friction, companies are trading more, creating more joint ventures and alliances. Companies are increasingly treating Argentina, Brazil – and Chile – as a single market.

Trade within Mercosur last year rose by a third to an estimated $8.15bn. Brazil is Argentina's biggest export market. Argentina is Brazil's second largest market and an important oil supplier. Trade has become more evenly balanced: Argentina has increased exports to Brazil, cutting its deficit by two-thirds to $504m in the nine months to September 1993.

Perhaps for these reasons alone, integration seems set to continue, however unsteadily. It seems equally probable that the backbiting between Argentina and Brazil is set to become a permanent feature of the local scene.

US to cut China's import quotas

US Trade Representative Mickey Kantor said his government would cut the import quotas for Chinese textile products by 25 to 35 per cent from January 17, Reuter reports from Washington.

Mr Kantor announced the unilateral action yesterday, following nine unsuccessful months of negotiations between the two countries to control illegal transshipments of Chinese-made products through third nations.

In a statement, Mr Kantor said the new quotas would be applied retroactively to products entering the US after January 1.

China sold about $4.5bn in textile and apparel products to the US last year. In addition, smuggling and illegal transshipments to the US, which ignore rules on country of origin rules, were estimated at about $2bn.

"We have said all along that, if we could not reach an agreement with China which addressed the problems we have had with textile trade, then we would have to impose quotas at the levels outlined in this notice," Mr Kantor said.

China has been unwilling to agree to provisions – accepted by 16 other trading partners of the US – that allow US discipline when transshipping occurs, Kantor said.

China did not accept a US offer for textile negotiations this week.

Daewoo for car venture in Romania

The Korean industrial giant Daewoo plans to invest $156m (£105m) in a joint venture in Romania which will manufacture cars for the European market, the industry ministry said yesterday, Reuter reports from Bucharest.

A ministry spokesman said this was the biggest foreign investment in Romania to date. The joint venture will be set up this year as part of a co-operation deal signed on Wednesday at the end of a visit to Romania by Daewoo group executives, he said.

Daewoo will invest $156m and hold 51 per cent of the venture with Oltcit SA, a state-owned factory at Craiova, 300km west of Bucharest. The Korean group plans to use part of an existing plant and build lines to make up to 200,000 Daewoo cars a year by 1998.

OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially-supported export credits for January 15 to February 14 1994 (December 15 1993 – January 14 1994 in brackets).

D-Mark	6.17 (6.29)
Ecu	6.58 (6.83)
French franc	6.50 (6.73)
Guilder	
up to 5 years	6.10 (6.25)
5 to 8.5 years	6.35 (6.50)
more than 8.5 years	7.00 (7.20)
Italian lira	N.A (8.94)
Yen	3.30 (3.30)
Peseta	9.08 (9.34)
Sterling	6.71 (7.21)
Swiss franc	5.25 (5.32)
US dollar for credits	
up to 5 years	5.54 (5.50)
5 to 8.5 years	6.15 (6.06)
more than 8.5 years	6.48 (6.45)

These rates are published monthly by the Financial Times, normally in the middle of the month.
A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.
SDR-based rates of interest are the same for all currencies. For the period from January 15 to July 14 1994, the SDR-based rate will be 5.96 per cent. It replaces the previous rate of 6.85 per cent. The SDR-based rate will again change on July 15 1994.

BT responds to Mercury and cable TV

By Andrew Adonis

British Telecommunications is to cut the average price of telephone calls by more than 12 per cent this year, before inflation, after intervention by Oftel, the telecommunications regulator.

Business and residential customers will save more than £800m from the cuts in a full year.

The agreement was announced yesterday as BT unveiled a package of tariff changes, including an increase in line rental charges but abolition of the unit system of charging for calls.

The move to charging by time elapsed – to the second – and a new discount scheme for residential customers are BT's response to growing competition from Mercury and the cable television companies.

The price effect of the changes announced yesterday is neutral. By the end of July, however, BT will have to make cuts worth £850m a year under its existing price-cap agreement with Oftel.

Oftel is now forcing BT to pass on the full value of next year's reductions from November 1994, although the precise timing of the cuts will be left to BT. The additional reductions will be equal to 7.5 per cent before inflation.

The action follows concern by Mr Don Cruickshank, Oftel director-general, at BT's failure to make significant price cuts in recent months.

In a further move to stave off competition from Mercury, BT announced the launch of a "close ties" scheme, under which residential customers will get a 5 per cent discount on five numbers of their choice, including one overseas number, in return for a one-off payment of £4.99.

Mercury announced a similar scheme at the end of last year, to start in March. Mercury's version, "Yourcall", does not charge a registration fee but, unlike BT's, is not available for local calls.

The "close ties" scheme further fragments the tariff structure as BT seeks to compete with Mercury and the cable companies building networks in the UK's urban areas. Last month BT introduced a new, lower weekend tariff for long-distance calls.

"Close ties" also reflects the influence of MCI, the US long-distance carrier with which BT forged a $5.3bn alliance last June. MCI pioneered a "friends and family" tariff in the US.

Cattle give prod to innovation

By Alan Cane and Stewart Dalby

A technique used originally to monitor livestock in transit has been given a new twist by South African scientists who have developed a system capable of identifying individual items of travellers' luggage or scanning an entire basket of supermarket items.

"Supertag", developed by the South African Council for Scientific and Industrial Research in conjunction with the British Technology Group will be launched formally next week. BTG executives foresee a broad range of applications for the system but accept that its early use in supermarkets is unlikely because of cost.

Called radio tagging, the technology is already widely used for security. The Ford Motor Company, for example, already builds radio tags made by Texas Instruments into the locks of some of its latest cars. Texas is one of the world's largest producers of radio tags.

The principle is simple. A silicon chip containing a unique number is embedded in the product. A interrogatory radio beam is directed at the chip which responds by sending back its number.

Radio tags are expensive, however, costing from $1 to $3. Mr Peter Hawkes of the BTG said Supertag would not be feasible in supermarkets until the price per tag fell to less than a penny.

John Major outside No 10 with new Canadian premier Jean Chretien who won a landslide victory in October's general election

Aspirin could save 100,000 lives a year

By Daniel Green

The humble aspirin could prevent 100,000 premature deaths a year around the world according to research published today in the British Medical Journal.

The cost of each death avoided would be "about £250" and, if all those at risk took aspirin, the NHS alone would save least £70m a year, according the study's authors.

The study is the largest and latest in a series that suggests one of the world's cheapest drugs can be effective against two of the the world's deadliest diseases: heart attack and stroke.

Regular small doses of aspirin could prevent the deaths of 100,000 under-70-year-olds a year and avoid twice as many non-fatal heart attacks and strokes, says the report, which is a compilation of the results of 300 different trials involving 140,000 patients.

Such reports have already boosted sales of aspirin around the world.

In the US, 10-20 per cent of all aspirin sales are for patients with cardiovascular problems, according to industry estimates. In the UK, the figures is "under 10 per cent, but sales are growing by 17 per cent a year," said UK manufacturer Reckitt and Colman. Reckitt said that the BMJ report should increase sales.

Although aspirin lost its patents decades ago, global sales are still worth £600m a year. The biggest supplier, is French company Rhone-Poulenc, which makes more than a quarter of world output of 40,000 tonnes.

But its low cost may have inhibited its wider use, according to Professor Richard Peto, professor of Epidemiology and Medical Statistics at Oxford University and one of the authors of the BMJ report.

"Aspirin is so familiar that many doctors and patients still don't fully recognise its importance. Perhaps if aspirin were 100 times as expensive it would be used more widely."

The research says that the best dose is equivalent of about half a tablet a day but warns that people at low risk from heart or blood vessel disease should not take aspirin regularly.

Britain in brief

Duty-free shops go to Aer Rianta

Aer Rianta, the state-backed company which runs Ireland's main airports, has won the contract to run duty-free shops at both ends of the Channel tunnel.

Duty free sales are expected to account for most non-travel revenues from Eurotunnel's operations estimated at £18m this year but rising to £46m in 1996.

Aer Rianta already runs duty-free shops in Moscow, St Petersburg, on the Finnish-Russian border, Karachi and Bahrain. Mr Derek Keogh, chief executive, said Aer Rianta had fought off strong international competition to win the deal.

Forecast better for companies

Two leading firms of insolvency practitioners predicted that the number of company failures would fall sharply during the current year.

Touche Ross, the accountancy firm, said the number of receivership and administration appointments during 1994 would fall to as low as 2,000, compared with over 3,200 recorded during 1993 and 5,100 in 1992.

Separately, Coopers & Lybrand, the UK's largest accountancy firm, forecast that the number of appointments would be 2,500 during the year, with the total number of failures including liquidations down to 57,000 compared with 70,000 last year.

Inquiry into rock quarry

Mr Ian Lang, Scottish secretary, ordered a public inquiry into a plan by the construction group Redland to open a large coastal quarry on the island of Harris in the Outer Hebrides.

The move will please environmental organisations which have been campaigning against the project.

Western Isles council decided to give Redland Aggregates, Redland's construction materials subsidiary, permission to open the quarry. The £250m project would involve extracting 600m tonnes of anorthosite, a white rock used in road building, from the headland of Lingerabay near Rodel in South Harris. The quarrying, lasting about 60 years, would cover a square mile. Lingerabay would disappear and a new sea loch would be created.

Visitors say London is safe

Foreign visitors to London regard it as a safe and clean city, although some see it as too expensive, according to research carried out for the British Tourist Authority.

Interviews with 1,210 foreign visitors to London last summer found that only 1 per cent were worried about their personal safety in the city.

This contrasts strongly with research carried out last year which indicated that a large number of UK residents regarded London as a dangerous city to visit. The research by Lunn Poly, the travel agents' chain, found that more than 70 per cent of UK residents surveyed thought it was more dangerous to visit London than travel abroad.

UK corporate inquiries rise

The number of company investigations begun by the Department of Trade and Industry nearly doubled to 79 in the third quarter of 1993, according to official figures released yesterday.

Requests for investigations jumped to 255 during the quarter, reaching a total of 1,107 for the year to September 30, against 876 in the previous 12 months.

The proportion of requests for investigations which were rejected rose slightly from 78 per cent to 79 per cent during the year.

Two-thirds of the requests came from the public, 21 per cent from other divisions within DTI, 9 per cent from other regulators and just 3 per cent from the police or director of public prosecutions.

CAA rejects safety cameras

Aircraft will not be fitted with external cameras, despite evidence that they could have prevented the Kegworth and Manchester air disasters which killed 102 people.

Trials have been carried out on the cameras which would monitor the exterior of the aircraft for signs of engine fires and external damage.

But the Civil Aviation Authority said today: "We don't think there is a case for making the cameras mandatory."

Saturday is the anniversary of the 1989 Kegworth disaster in which 47 people were killed when a British Midland Boeing 737 crashed on the M1 motorway in the English Midlands.

Clampdown on EU trading

The government is to clamp down on companies trading within the single European market which are failing to comply with requirements to file monthly statistical returns.

HM Customs & Excise said yesterday that it was planning to take "firm action" against companies persistently refusing to meet their obligations one year after the new systems were introduced.

Customs has the powers to impose fines through local magistrates courts within the UK, of up to £2,500 for companies, which do not file monthly Intrastat returns.

Dixons has bad news on sales

Electrical retailer Dixons sent a shiver through the retail sector with the news that its Christmas sales were no better than last year - before Boots restored some confidence with news of a 7 per cent sales increase.

The news from Dixons contrasted sharply with reports of strong retail trading in the last two weeks before Christmas and sent many share prices down in the stores sector, although analysts said its comments were not unexpected, and not representative of the rest of the UK "high street" retail sector.

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RECRUITMENT

JOBS: Study pinpoints the ways that organisations encourage the subtle art of buttering up the boss

Smoothing the way to promotion

Twenty-one today, the Jobs column is. So now it has reached the traditionally recognised age of adulthood, it might perhaps be forgiven for raising an adult question: to wit, what are the real rules for getting to the top in organisations?

My reason for asking is that over the years the answers fed to me in youth – working hard, being technically skilled and the like – have increasingly seemed childish fancies. What's more, my growing suspicion that political operations are at least equally important has been strengthened by a trickle of reports on such manoeuvrings by management researchers, some of whom have even devised tests to identify the types of politicians involved.

For example, which of the following two recommendations do you readers think is the more effectual as a rule for getting to the top? 1–"When you ask someone to do something for you, it's best to give the real reasons for wanting it rather than reasons which might carry more weight." 2–"Never tell anyone the real reason why you did something unless it is useful to do so."

Those of you who chose the second may care to know that you are on the way to branding yourselves politicians of classic style. The two statements are items from a test of Machiavellianism, defined as a propensity to be deceptive and manipulative in dealing with other human beings.

Another, more specific mode of manoeuvring which has been pinpointed is described by the researchers as "a set of assertive tactics which have the purpose of gaining the approbation of an audience that controls significant rewards for the actor". A simpler term is "ingratiation" or, more bluntly, "buttering up the boss".

The most revealing study* of it which the Jobs column has seen is the work of a team led by Samuel Aryee of the National University of Singapore, who confidentially questioned 214 fellow Singaporeans working as managers or as professional specialists such as engineers in eight organisations, spanning both the public and the private sectors. The researchers' aim was to discover the circumstances in which ingratiating tactics were most apt to thrive.

A particularly topical focus of the study was on the prevalence of the manoeuvre in employing outfits of different size and complexity. The reason for the topicality is that – if counter-productive politicking is more rife in bigger organisations, as many theorists believe – it should have been reduced by two recent developments.

The first, which has definitely been taking place wholesale, is the "delayering" exercises in which large companies have scrapped whole tiers of middle management. The second, which seems to be more talked about than actually put into effect, is the "empowering" in which authority formerly held by the discarded middle rankers is handed down to the shop-floor.

Besides taking account of organisational size, however, the the researchers examined links between ingratiating tactics and various characteristics of the 214 employees. One was whether they were managers operating through other people, or specialists directly responsible for their own results. A third was the extent to which the quality of their work could be gauged by objective yardsticks, as distinct from being measurable only in subjective ways. A fourth was whether their immediate boss had personal power to reward them richly with promotions or the like, or whether such decisions were made farther up the hierarchy.

So what were the findings?

It turned out that ingratiating tactics on the employees' part were most strongly linked with the power of the immediate boss to bestow rich rewards, and with jobs in which performance could not be objectively measured. The prevalence of the tactics was also significantly greater among the managers than among the more individually operating specialists.

But, alas for the hopes that politicking has been reduced by delayering, ingratiating behaviour was just as rife in the smaller organisations as in the larger. Worse, since the empowerment of lower-level jobs would make them less subject to measurement by objective yardsticks, the study's findings suggest that the handing down of authority would result in increased political manoeuvring on the shop-floor.

Oddly enough, Singaporeans also figure prominently in the table below which sheds some light on a question often asked by people considering taking a job overseas: "How much would it cost to keep up the same living standard for my family?".

As in previous years, the figures are provided by the Employment Conditions Abroad consultancy, which keeps check on international pay-rates and the like. Anyone wanting to know about its services, which cover more than 150 countries, should contact Barry Rodin at 15 Britten St, London SW3 3TY; tel (0)71-351 7151, fax (0)71-351 9396.

The pattern for the exercise is a middle manager such as the head of marketing in a medium sized company, from each of the nine countries covered. Starting with their typical gross salaries in their homeland, the table shows their typical annual outlay on consumer goods, housing costs excluded, on their own territory together with the price of keeping up the same buying habits in the remaining eight countries.

Other currencies have been converted to sterling at the exchange rates of mid-December. The nationalities are ranked by their costs of their purchasing patterns in the eight countries other than their own – which gives the Singaporeans pride of place for overseas expensiveness, and the thrift award (as always) to the Japanese.

Michael Dixon

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Nationality of mid-rank manager*	Gross salary in homeland £	Cost of keeping up home-country pattern of spending on consumer goods when in: Singapore £	United States £	Germany £	United Kingdom £	Switzerland £	France £	Australia £	Netherlands £	Japan £
Singaporean	55,368	*16,176*	19,102	23,342	18,768	29,592	23,222	16,776	21,066	46,841
American	61,743	18,428	*14,326*	20,510	16,710	25,765	20,646	14,617	18,868	39,933
German	71,798	17,582	14,507	*16,443*	13,898	22,132	17,344	13,166	15,277	37,077
British	38,540	16,149	13,754	16,896	*11,531*	21,568	16,770	12,543	14,678	34,825
Swiss	77,332	17,608	14,545	17,633	13,928	*20,727*	17,379	13,196	15,301	37,142
French	52,980	16,261	14,127	16,745	13,625	21,833	*15,487*	12,696	16,026	35,219
Australian	34,238	14,591	11,683	14,496	11,887	18,468	14,321	*9,741*	12,944	30,418
Dutch	50,126	12,894	10,754	12,814	9,942	16,387	12,671	9,632	*10,222*	27,711
Japanese	85,970	8,229	7,704	10,064	8,409	12,789	9,528	7,349	9,145	12,645

* Responsible for function such as marketing in medium-sized company.

ACCOUNTANCY COLUMN

What Jim Butler saw in over 40 years service

Andrew Jack talks to a veteran of the accountancy world

Mr Jim Butler started work in what later became the Lord Mayor of London's official residence, retired last week from what used to be a cold storage depot, and will soon be lingering briefly in the Caribbean before returning to a 500-acre farm near Winchester.

The venues may seem bizarre for someone who has spent his lifetime as an accountant, but then the man in question has witnessed enormous and sometimes unexpected change in his 41 years with the profession.

Jim Butler joined Peat Marwick Mitchell & Co as an articled clerk on £150 a year in 1952, after graduating with a degree in mathematics from Cambridge University. The firm then had 44 partners and just over 1,000 staff across 18 offices in the UK. Fee income was £1.2m.

When he retired at the end of 1993 as senior partner, KPMG Peat Marwick, of which it is now part, had just reported fee income of £492m, and had become part of the second largest accountancy network in the world. In the UK, it has 594 partners and 6,300 staff in 43 offices. He describes his own income as in the "hundreds of thousands" a year.

"There have been some pretty dramatic changes, all very much for the good," says Butler, reflecting on his time in the profession as he sits in his office overlooking the south bank of the river Thames from Puddle Dock, a rather uninspiring concrete building that used to store frozen meat.

When he started, the firm was based in Ironmonger Lane in the City of London, until recently the temporary home of the Lord Mayor. At the time it was owned by the Peat family whose connections with Peat Marwick began in 1870 and remain strong.

Mr Michael Peat was until recently a partner and auditor to the privy purse, or the Queen's private finances, a post held in the family for four generations. Mr Gerard Peat, his father, now aged 73, was the last member to benefit from an automatic right to become a partner. The first senior partner who was not a Peat was appointed only in 1965.

Butler says just four "general" partners controlled the firm when he joined: Ronnie Leach, Gerard Peat, Freddie Proctor and John Corbett. "We were in fear of them. Corbett reduced me virtually to tears. I remember once quaking at my desk waiting to see him."

There were other "general" partners too, who received a share of the profits of the firm's six relatively autonomous regional partnerships. But as he puts it: "There were general partners and general partners."

Some things have become more egalitarian since then. Partners' first names appear on their doors, and the distinction of tea on a tray for partners and not for staff has gone.

But the full partnership has still only ever voted on two issues: the merger with Klynveld Main Goerdeler (KMG) in 1987, and the ratification of Butler's successor, Colin Sharman, last year.

While their influence and profit share may have waned, the general partners remain. So, too, does the regional structure, which Butler admits was developed to evade professional rules which limited an accountancy firm to 20 partners, and which were only repealed in 1967. "It was perfectly legal and never challenged," he says.

The restriction affected Butler, who was made an "associate partner" – with no equity stake in the firm but a place on the firm's letterhead – in London in 1965 before a full partnership vacancy came up two years later. "It was a case of waiting for dead men's shoes," he says. "The retirement age was fluid upwards, and for a long time till recently partnership was a job for life."

Back in the 1950s, he says, "life was quite a lot easier and much more mundane. Creative accounting was not a great feature. Things were much more pedestrian. I audited a retail store and spent three days checking a till roll against invoices."

"We did everything for clients: audit, tax, advisory, investigation work for acquisitions." He even became a receiver during the property crash of the early 1970s.

He says his predecessors would have been surprised by the growth in technical departments within the larger firms, which advise clients on compliance with the rules. "The regulations have been tightened – rightly. But if something is permitted, companies are going to want to do it."

Clients have changed greatly over the years, he says. "They have internal ways of dealing with a lot of things now, such as very strong internal acquisitions teams. They understand their own accounts much more than they used to."

He believes that in the past they treated the auditor with more respect as a feared and independent character, invariably calling him "Mr".

KPMG Peat Marwick's Jim Butler: 'Firms have become businesses'

Butler says he has been personally frustrated by the difficulty in maintaining the traditional close relationship he has developed with his clients – not least with Lonrho, the conglomerate. He remains a staunch defender of the firm's position. "Our role there never caused us any worry," he said. "Anything at Lonrho we looked at extra carefully. The technical department was involved."

He says one of his greatest concerns was the enormous lawsuit brought in relation to KPMG's audit of ISC, the fraudulent defence company purchased by Ferranti, which the firm settled for £40m.

But he says the most important change within the firm for him was the 1987 merger with KMG, an international network which included Thomson McLintock in the UK. He says merger mania began in 1984 in the US. "Everyone said they needed to get bigger." He says the firm's merger was not driven by economic need, but a "continental strategy" reflecting the changes within Europe.

The details of the merger that was to become KPMG Peat Marwick were developed between the senior partners of the firms in the US, Canada, UK and Netherlands. "I kept it secret from my own partners," he says. "We had a continental strategy."

Since then, the thrust to ever-bigger practices has waned. The firm went from recruiting 1,000 graduates a year in the late 1980s to just 500 today. It also introduced redundancy programmes – from which even partners did not escape.

"Accountancy firms have become very much businesses," he says. "In practical terms we run ourselves much more like a corporation now, with an executive committee of senior partners. The top people spend much more time internally than in the past.

"We have to be much more commercial. There is tremendous competition: in audit tenders, the public sector, in consultancy and even in insolvency."

He recalls that "everyone was horrified" initially at the lifting of a ban on marketing within the profession in the early 1980s. "We always did entertaining in the past: there were clubs and friendly competition."

He denies commercialism has been at the expense of professionalism. "We are spending more and more time on risk management. We are open to claims if not. We have to be commercial in order to get work, but we cannot afford not to do our best to ensure we do first class, quality work."

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Rupert Morris on the corporate benefits of sculptures and paintings

Radical change of art

The world of corporate art is changing. Two apparently unconnected developments suggest that instead of remaining largely confined to boardrooms and private houses, art may be penetrating more deeply into British business.

First, there was one of the Confederation of British Industry's less publicised initiatives – Art and Industry, which brought artists and industrialists together one evening in October for the mutually beneficial exchange of money for talent. The event is to be repeated annually.

Philip Herriott, one of the organisers and a director of Art Search, which represents a large stable of artists, and puts business buyers in touch with them, is still fielding enquiries from the evening. He is arranging for business buyers to see artists in their studios.

Like an up-market wallpaper salesman, Herriott carries with him books of photographs ranging from paintings under various headings – impressionist, traditional, abstract, etc – to the sort of weird and wonderful sculptures that might act as conversation pieces in a company's entrance hall or foyer.

It may not necessarily produce the greatest art, but the approach makes sense to people like Hugh Stebbing, property director for Lloyds Bank, who has come to appreciate the value of art as a motivational tool.

If Lloyds Bank employees at Hays Galleria, the trendy office and shop development opposite the London Dungeon, have strong opinions about anything, it is the paintings and sculptures that decorate their workspace. In a recent questionnaire, this was the issue that eclipsed all others, including food, lavatories and public transport.

Fortunately, most Lloyds employees like the art around them. But their willingness to air their opinions delighted Stebbing. "Art was a component of the fit-out of the space," he says of the Hays Galleria offices. "You only use space as a factor of production, and if artwork can provide a happier environment for your staff, then it can enhance productivity."

He talks enthusiastically about Faith Winter's huge sandstone sculpture of the Lloyds horse in the bank's Bristol headquarters that fulfils the triple purpose of hiding an electricity sub-station, proclaiming the company's logo, and inspiring the workforce.

The second – and probably more significant – development in the growing interdependence of art and business is the belated success of Broadgate, the ambitious development of a 29-acre site around London's Liverpool Street railway station. Here art, architecture and office life have become virtually inseparable.

Passers-by are often amused and intrigued by Fernando Botero's voluptuous giantess, the Broadgate Venus. Passing the waterfall nearby in Exchange Square, some pause to admire the arch of Exchange House that echoes the arches of the station beneath before moving on to puzzle at Xavier Corbero's primitive Broadgate Family.

Initial revulsion at the rusting steel sheets of Richard Serra's huge sculpture, the Fulcrum, outside the UBS building can eventually yield to at least a grudging appreciation of the way it alters according to the light or the weather, changing onlookers' perceptions without them noticing.

Stuart Lipton, the developer, talks of "providing scale, humanity and the genus loci that is the fundamental ingredient of successful urban design".

Karen McCusker, a director of GRE Asset Management at 155 Bishopsgate, where two massive Jim Dine sculptures of Venus dominate the foyer, says: "I think it makes a difference."

For Harry Anderson, a partner in the solicitors' firm Herbert Smith, the move to Broadgate was a chance to change the image of the firm – although that wasn't the express intention.

When Anderson was entrusted with finding artworks to decorate the many blank walls in the firm's smart new offices, he enlisted the help of art agency Conservation Management. For two months he spent every spare moment discussing how to fill the spaces, looking at the work of various artists, and occasionally buying pieces at auction. The cost worked out at just over £100 per employee – a tiny fraction of the total spent on the move.

Anderson bought nearly 200 items, ranging from limited edition prints to original oil paintings, mixed media works and a few sculptures.

Fusty architectural prints and legal cartoons were no longer appropriate, although some remain in the back-corridor offices at the request of their occupants. Tall blank walls in the reception areas on each floor required large, bright paintings, and are now dominated by impressionistic splashes or, on one floor, a huge copper shield.

Many of the conference rooms have unusual, often abstract modern paintings, while the dining rooms have more soothing still lives in bright, warm colours.

"I was expecting a lot of complaints, but everyone has been surprisingly complimentary," comments Anderson. "We were trying to produce an uplifting environment. It sounds a bit pompous, but that's what we were trying to do."

Harry Anderson's choices might not please absolutely everyone, but the visitor moving around Herbert Smith's offices, distracted by these splashes of colour and unusual images, pausing at the window to take in the rich spectacle of Exchange Square, would not feel constrained by history and tradition as in many law firms. Instead, occupants and visitors alike may well feel inspired by the possibilities of the future.

This is only one example of art that is not just for the connoisseur. It is for everyone, the workers included, and enlightened managers are increasingly aware of its potential.

Alan Williams/Wordsearch

Art at work: the voluptuous Broadgate Venus intrigues and amuses visitors and staff in the surrounding offices

Production line treatment for patients

A Swedish hospital is using manufacturing management techniques, explains **Christopher Brown-Humes**

Think of a car going down a production line. Then picture a patient going through a hospital. Can the two be compared? And can management techniques to improve efficiency in the manufacturing sector be used with success in services such as healthcare?

If Sweden's Karolinska hospital is anything to go by, the answer is yes. An 18-month time-based management project at the Stockholm hospital has cut costs and waiting lists without affecting staff morale. The hospital is one of the first healthcare organisations in the world where manufacturing techniques have been applied so systematically.

The project has attracted international attention, particularly in Europe where many hospitals are facing the same costs crunch as the Karolinska. Among those to have shown an interest are representatives from 14 hospitals in Denmark, two German hospitals, and UK hospitals in Wolverhampton and Leeds.

"What we have done is to organise ourselves according to how the patient moves through the system," says Jan Lindsten, the hospital's chief executive. "The process is not quite the same as in the car industry but there are great similarities."

The Karolinska is facing a severe budgetary squeeze as part of a sweeping reform of the country's healthcare system. It has been asked to cut costs by SKr400m (£32.7m) between 1993 and 1995, equal to nearly 20 per cent of its SKr2.2bn annual budget.

Lindsten says the hospital feared that a "cheese-slicing" approach to its 45 departments would endanger their capacity to function effectively: "The challenge was to find a way to rationalise without cutting down by slicing." The resulting decision to call in the Boston Consulting Group led to the adoption of a time-based management programme which takes the patient's perspective. BCG manager Mikael Lövgren says the group has carried out more than 60 other hospital projects worldwide, but that "no other hospital has made this kind of complete reorganisation around the patient flow".

One of the first revelations was just how much patient and hospital time was wasted by inefficient investigation procedures, which sometimes required the patient to make up to five visits for different tests. Now nurse co-ordinators arrange for all tests to be made during a single visit.

The second big area of inefficiency discovered was the operating theatre, where an average of 59 minutes was being lost between the end of one operation and the start of the next. The changes have cut the figure by more than half.

The overhaul has placed far more stress on efficient preparation for operations and bottlenecks have been reduced. Patients are pre-anaesthetised outside the operating theatre so that less time is lost before the operation begins. There is also less emphasis on having certain operating theatres dedicated to particular types of operation while those of similar length and complexity are carried out in the same theatre.

The changes have enabled the hospital to close four of its 16 theatres, while increasing the number of operations. This year the hospital expects to carry out 28,000 operations – 2,000 more than last year – in spite of the reduced number of facilities.

The project has also led to more efficient use of operating nurses and surgeons. But it also revealed that the hospital did not have enough anaesthetists and that their time was used inefficiently. More anaesthetists have been employed and an out-patient clinic for anaesthesiology has been set up.

There has also been a significant re-organisation of the hospital's functions. Separate medical and surgical departments and different tests have been brought together to facilitate patient flow.

The project has not been applied to every department, partly because of budgetary restraints. But in certain areas, it has achieved spectacular results. Waiting times for hernia operations, for example, are down to three weeks from as long as eight months. Overall cost savings have totalled more than SKr100m, about 25 per cent of total costs in the areas affected.

The plan has met some resistance from staff who feared that increased emphasis on time was simply a code for speeding things up and could lead to mistakes. Lindsten emphatically denies there are any risks to the quality of service, saying it is the time between operations rather than during them that has been cut.

Some doctors and nurses have lost their jobs, he acknowledges, although more anaesthetists have been recruited. "Morale is better than it used to be," he stresses.

PROPERTY

Few rooms with views

Leyla Boulton on building and managing hotels in Russia

The scaffolding that has surrounded the National hotel opposite Red Square for the past two years speaks volumes about the hazards of Moscow's international hotel business.

Endless rows over financing for the National have delayed its completion. The dispute illustrates why any venture in Moscow is such a high-risk gamble for western hoteliers. Yet the Russians' desire to attract western management for new or refurbished hotels means there are potentially rich rewards for companies that manage to surmount construction and ownership disputes in a city where demand for quality hotel rooms vastly exceeds supply.

The biggest headache for potential western investors is ambiguous ownership rights. Russia's hotels, formerly owned by a single state monopoly under the old communist order, are today the subject of competing ownership claims by a variety of state and semi-state bodies.

Mr Richard Mason, general manager of the newly-built Radisson-Slavyanskaya hotel, one of the busiest in Moscow with 85 per cent-plus occupancy, says he "does not even know who owns the Radisson-Slavyanskaya".

The US Radisson group holds a contract to manage the hotel. It also holds 15.5 per cent of the equity in the joint venture which leases the hotel from an owner whose identity has been the subject of dispute since the collapse of the former Soviet Union's monopoly Intourist group.

The National, meanwhile, is the target of competing management claims from at least three groups.

The Marriott hotel group of the US, which signed a management deal for the National in May 1992, says its contract is still valid even though the contract has been rejected by the Moscow city government.

Rogner, an Austrian construction company, has received assurances from some Moscow city officials that it will be awarded the management contract for the National as compensation for Russian payment delays for work on the hotel's renovation.

Finally, according to some industry officials, a little-publicised tender organised to sidestep the Marriott-Rogner dispute has already been won by Britain's Trust House Forte, even though the tender results have yet to be endorsed by the city government.

The absence of clearly defined ownership rights means that financing for hotel projects is very difficult to raise.

The Radisson-Slavyanskaya hotel, for example, is paying for the renovation of 160 rooms out of profits after a $20m loan from Chase Manhattan Bank fell through because the bank decided it would be difficult to seize assets in the event of a loan default.

"Even if you get [ownership] rights on paper, they are not enforceable in practice," says a western banker with experience of trying to raise finance for hotel projects in Russia. The continued presence of a railway workers' welfare club on the grounds of the Radisson-Slavyanskaya hotel – in spite of a 1992 order by the mayor of Moscow for its removal – illustrates the point.

Radisson is one of several international hotel chains being invited by the Moscow authorities to manage the city's older hotels. But already some western hoteliers have expressed doubts. "What is required is a substantial infusion of capital to complete these projects," says Mr Mason of the Radisson-Slavyanskaya hotel. "The question is what does one get in return for such an infusion."

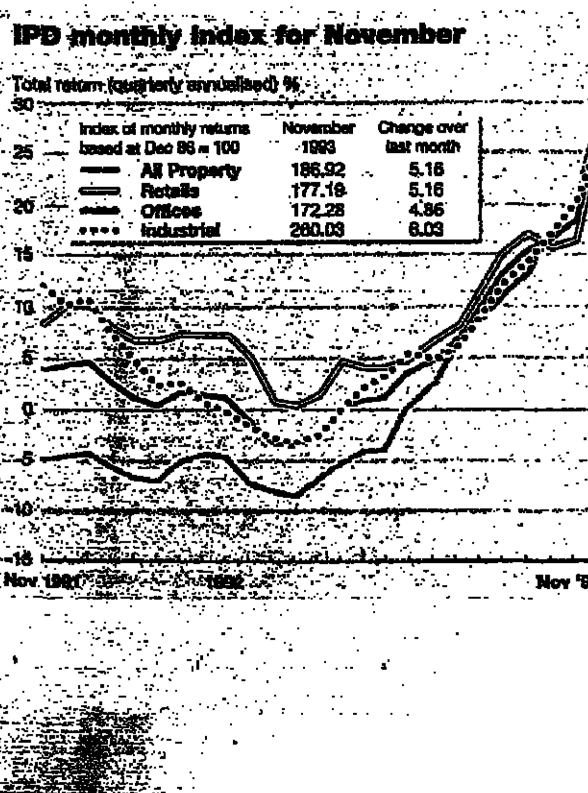
Western companies were also asked to renovate and run Hotel Tsentralnaya, a crumbling building boasting a prime location and surly service. But unresolved claims by the hotel's staff who say they are entitled to own the hotel, together with uncertainty over funding for the reconstruction work, have scared many potential western partners. These include Hilton International, whose owner, Ladbroke, said: "So far, we've never been able to come up with a satisfactory deal. We continue to look. Hopefully we'll come up with something."

Even those hotels which are successful have battled against financial odds which once threatened their viability. A Russian-Austrian consortium which began rebuilding what is now called the Baltschug-Kempinski hotel was only able to finish the work after attracting new partners and after the Austrian export credit agency decided that the only way to recover initial Austrian loans for the venture was to complete the project. Today, the plush Baltschug-Kempinski hotel boasts occupancy levels in excess of 85 per cent.

In addition to having a reliable and well-connected Russian partner, Mr Hans Sebesta, general manager of the Baltschug-Kempinski, says the secret of success is for western companies to have their own people on the ground at all times. "You need someone who is permanently here, who pulls all the strings together, who communicates with the shareholders. You cannot delegate problems," he says.

As the example of the National shows, a lack of transparent decision-making in the transition to a market economy means western hoteliers will continue to view Russia as a high-risk investment.

IPD monthly index for November



A positive pattern

The investment performance of all sectors of the property market improved in November, as property yields moved downwards, according to Investment Property Databank, a research group. The all-property capital growth was 2.1 per cent for the month, the highest level since August 1988.

The all-property total return was 2.8 per cent for the month, compared with 1.7 per cent in October.

The aggregate equivalent yield was cut by a further 0.2 per cent to 9.3 per cent. However, rental values continued to decline, at a rate of 0.6 per cent in November, compared with 0.3 per cent in October.

The annualised rate of total return stood at 12.3 per cent for the year to November. The annual capital growth rate turned positive for the first time since mid-1990, reaching 2.5 per cent for the year to November.

Retail property was the best performing sector in November with a total return of 3 per cent. The industrial sector fell into third place with a return of 2.4 per cent in November, compared with 1.7 per cent in October. The office sector continued to improve with a total return of 2.9 per cent for the month.

TECHNOLOGY

General Magic's genie

After more than three years of development, California-based General Magic yesterday introduced its new communications software technology based on the concept of 'software agents' that will automatically perform set tasks.

The first products are Magic Cap, a graphical user interface (to simplify screen instructions) for palm-sized personal communicator devices, and the Telescript programming language. AT&T, a General Magic shareholder, says it is the first company to use Telescript as the basis for its PersonaLink online service. General Magic's other shareholders include Apple Computer, Motorola, Philips, Sony and Matsushita.

Users of Telescript can create 'software agents', self-contained programs that roam communications networks delivering and receiving messages or looking for information or services. "With Telescript, you could create an agent to check airline departure times and notify you if your aeroplane is late. Or you could use agents to bid on products or services," says Marc Porat, president of General Magic.

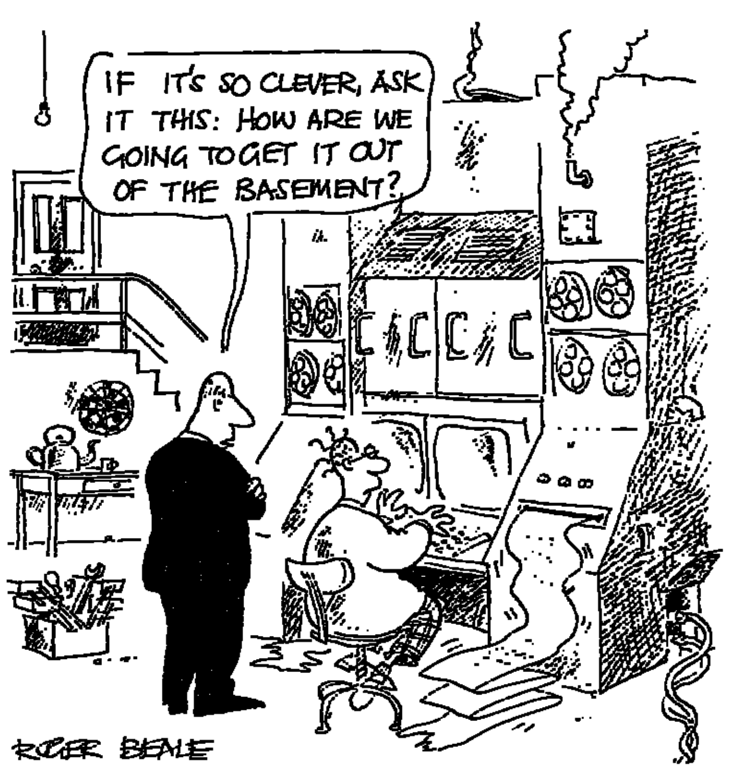
Magic Cap enables users to access information and other services by pressing tiny pictures of buildings. It is designed for the small touch-screens in personal communicator devices, essentially high-tech versions of the portable telephone combining fax, electronic mail and voice features.

Magic Cap includes Telescript and provides additional functions such as a diary, address book and communications software. Motorola and Sony plan to introduce Magic Cap-based personal communicator devices soon; the other shareholders are expected to announce products based on General Magic's technology later.

The technology may have arrived too late for Apple, which has several development efforts that mirror General Magic's technology. Apple's new online service, eWorld, does not use Telescript.

"We're interested in Telescript but it's not for us right now," says Peter Friedman, director of Apple Online Services. "We'll take another look at Telescript later in the year." Porat says there will be Apple products based on Magic Cap and Telescript in 1995.

Tom Foremski



Brainchild hidden in a basement

Jacques Stern's dream of a European supercomputer is poised to become reality, writes **Alan Cane**

Behind a door marked simply "Maintenance" in the drab basement of a tower block in the city of Lyons, south-east France, a full-scale prototype of a supercomputer sits incongruously.

It is evidence that the organisation several floors above, the four-year-old Advanced Computer Research Institute (Acri), is chasing a dream, not a fantasy. It is also proof that the European Union and a group of private investors have something to show for some FFr315m (£36m) put into the project since 1990.

By mid-1994, the EU's contribution will be Ecu30m (£23.6m). The dream, that a European company could catch and compete with the rest of the world in supercomputers, has been nurtured since the 1980s by Jacques Stern, Acri's founder and chief executive.

A former chairman of Groupe Bull, the French state-owned computer manufacturer, Stern has assembled in Acri a 200-strong multinational team with the goal of developing a globally competitive product. "We do not suffer from the 'not invented here' syndrome," he says. "Our technology and engineering can come from anywhere. If you do not think globally at the very beginning, you will never succeed."

Late last year, in Portland, Oregon, the company made its international debut at a leading US supercomputing exhibition under its trading name "Stern Computing Systems". SCS also plans to market systems developed by its strategic partners, including Digital Equipment of the US. Digital's "Alpha" microprocessor chip, said to be the world's fastest, is at the heart of the Acri-1, the company's first machine scheduled for commercial launch this year.

Some years ago, the idea of a European challenger in supercomputers would have invited derision. The market was small and pioneering costs high. Supercomputers were custom-built to squeeze power out of the available technology, with no expense spared. The world leader was Cray Research of the US, followed by the Japanese companies, NEC, Hitachi and Fujitsu.

Much has changed. Developments in microprocessor technology have created minisupercomputers – computers nearly matching a Cray for power at a fraction of the price – and massively parallel systems such as Thinking Machines' Corporation's Connection Machine, in which hundreds, perhaps thousands, of microprocessors are strung together to tackle a computing problem co-operatively. Convex Computer Corporation of Dallas in the US was a pioneer in minisupercomputers; significantly, Adrian Wise, a senior vice-president at Convex, has now been appointed vice-president for sales and marketing at Acri.

These smaller, less expensive, machines have dramatically altered the supercomputer market. Companies like the UK's Meiko, which builds parallel processors, have won sales in the US. Cray's share of the world market has started to slip and it has been forced to develop cheaper computers.

So Acri is adopting the strategy of niche player, aiming at the high-performance technical computing (HPTC) market. Here, supercomputers model and simulate mechanical structures, environmental conditions, chemical processes and natural phenomena.

Companies need this information to design new products and to prove they are complying with regulations. Tor Bloch, Acri's chief operating officer, gives as examples combustion engine and oil burner developments, ship hull collision resistance and the resistance of electronic aviation systems to lightning strikes.

Supercomputers capable of handling these problems typically cost between $5m (£3.3m) and $6m. These are not machines designed for so-called "Grand Challenge" problems – modelling the behaviour of the oceans or the atmosphere, for example – for which large Cray or Fujitsu machines costing up to $30m are needed.

Bloch estimates the value of the HPTC market as $5.1bn in 1992, growing to more than $6.7bn in 1997. He says Acri's attack on the market will follow three guiding principles.

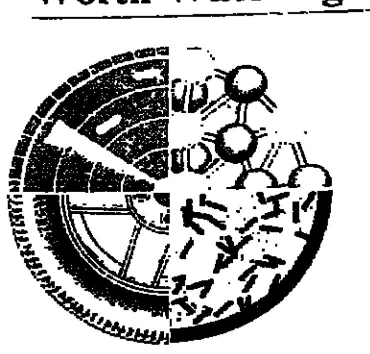
- It will use the most advanced available technology. The octagonal frame, some 2m high, houses six Alpha chips each capable of processing 64 bits of data simultaneously, giving up to 8bn operations a second. Gallium arsenide, three times faster than silicon but difficult to work with, is used for some of the chips. The machine is not fast by supercomputer standards, but combines the best elements of Cray-type systems and massively parallel systems to give excellent price performance. Typically, the price of an Acri machine will be $2m.
- It will use reduced instruction set computing (risc) techniques which offer the best performance for the price in the HPTC market. It will use open systems or client-server designs and will make use of a standard operating system, Digital's OSF-1 version of Unix. It has an agreement with Cray to share a common scientific programming language (Fortran) which should reduce time to market and open the door to existing technical applications software.
- It will be easy to use. Bloch points out that as demands for increased performance rise, supercomputer designs will converge and ease of programming will determine which ones will be successful.

Acri was created out of discussions between Stern, Bloch, then in charge of the advanced computing group at the European Organisation for High Energy Physics (Cern), and Alain Lichnewsky, in charge of science and technology and formerly director of research at Inria, the French National Institute of Research in Computer Science.

Acri's network of strategic alliances involves equity interests. It has a shareholding in Acset, a small Belgian company which writes the software which makes Acri's computers easy to program. Cray Research is also a shareholder in Acset and has a strategic alliance with Acri. Digital Equipment has shares in Acri as has CEA, the French atomic energy agency.

Acri plans to sell its machines directly in Europe and through partners in the US and elsewhere. Now it faces a tough test. The technology, Tor Bloch says, is proven but more money must be found to bring the first Acri machines to market. The company must raise a further FFr200m. If it fails, Europe's supercomputing dream could founder, not from lack of innovation or entrepreneurial zeal, but for want of cash.

Worth Watching · Della Bradshaw



Training tape jogs the memory

Every personal computer user knows the problem with training: a day after the course and the intricacies of the software are easily understood; a month later and the mental fog has descended.

To replace the need to look up procedures, training specialist Futuremedia, of West Sussex, has developed an audio cassette-based training system to jog the memory.

The Q-PC comprises a small black box, plugged in between the PC and keyboard, and a cassette, on which is a voice interspersed with audio "bleeps". When the cassette is played on a personal stereo, connected to the PC, the voice instructs the user while the "bleeps" instruct the PC to perform the task.

Futuremedia has cassettes to help with popular software packages, or can develop specific software. Large companies can buy a system to develop their own training packages. Futuremedia: UK, 0243 555000.

In touch by fax while on the move

Sending a fax message or receiving electronic mail while outside the office may be simplified by the EO 440, a portable tablet measuring only 10in by 7in.

The tablet stores outgoing messages until the machine is plugged into a mobile phone or standard phone socket, when the messages are sent. Incoming messages are held centrally by AT&T's Easylink electronic mail service until the machine is plugged into the telephone network, when they are delivered.

The EO 440, which is sold in the UK by Olivetti, has a display which recognises hand-writing and a stylus so that messages or faxes can be written or annotated. The tablet can also run standard software packages. Olivetti: UK, 081 785 6666.

Help with dates for the diary

Arranging a meeting between top directors within a company can be a secretary's nightmare. The problem used to be finding the diary, but the challenge these days is often to find the appropriate disc. A west London-based company has developed a diary software package to make life easier.

Timebase, from Alex Technologies, works with Windows, Windows NT, X/Windows and Unix to store diaries centrally. When a diary is amended, a message tells the diary owner. The package costs £30 per user. Alex Technologies: UK, 081 566 2307.

Making safe glass for outer space

Out in space, debris is accumulating, writes Andrew Fisher. High velocity particles of "space junk" – from obsolete satellites and rocket stages, for example – orbit the earth and menace manned missions.

In Freiburg, Germany, the Fraunhofer Institute is testing special samples of glass, as used in observation windows in the Russian MIR space station, in a joint venture with Deutsche Aerospace. Using high-speed cameras, researchers analyse the effects of impacts at high velocity for use in the future design of spacecraft components. Fraunhofer Institute for High Speed Dynamics: Germany, 761 27143426

How to keep lager bubbly on top

Soon after a glass of lager is poured the appealing bubbles on the top begin to dissipate. Once the beer is inside the smooth-sided glass the carbon dioxide remains dissolved in the fluid, rather than bursting to the top to form bubbles.

A specialist glass company has found a way to roughen the inside base of the glass so the carbon dioxide is released. Charles Glassware fixes glass particles into the base and fires the glass at 580°C. The particles may form a picture or logo. Charles Glassware: UK, 081 207 2888.

LEGAL NOTICE

IN THE MATTER OF
HVA AGRO INDUSTRIES LIMITED
and
IN THE MATTER OF
THE CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 7th day of February 1994 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Costas L Mavrocordatos, ACA of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 7th day of January 1994

C L Mavrocordatos
Liquidator

PEOPLE

Another occupation for Carr

The Occupational Pensions Board, which oversees occupational pension schemes, has a new chairman, despite recommendations in the Goode report on pension law reform that the OPB be replaced by a regulatory body with much wider powers.

Peter Carr, 62, chairman of the Northern Regional Health Authority and of the County Durham Development Company, has been appointed for a three-year term by Peter Lilley, secretary of state for social security, while the government makes up its mind as to the sort of regulation required in an immensely complicated area.

He succeeds Harriet Dawes who goes back to being deputy chairman. Dawes had only been in the chair since September, when she adopted what she said at the time was to be a caretaker role until the OPB's future became clearer.

A labour market economist who studied at Ruskin College, Oxford, Carr gained a reputation during his nearly four-year stint at NRHA as an unusually independent-minded chairman. In April, the NRHA and the more populous Yorkshire Regional Health Authority, are set to merge. No announcement has yet been made as to who will chair the combined entity, but Carr says that the job he has been doing, while paid on the basis of three and a half days' work a week, in practice requires him to be on hand day and night.

Carr's previous experience includes working at ACAS in its early days. Between 1978 and 1983 he worked in Washington as labour attaché, before returning to become northern regional director of the Department of Employment until 1989.

Parrying widespread criticism that the OPB has been ineffectual, the new chairman says that it is a body containing a great deal of intelligence about the pensions industry that has given government "very wise and soundly-based advice". He chairs his first board meeting on Monday when the board formulates its own response to the Goode report.

■ Tim Bowdler, divisional md of Cape Building and Architectural Products, has been appointed group md (designate) of JOHNSTON PRESS; in April he will succeed Iain Bell, who remains deputy chairman until he retires a year later.

■ Stephen Carter has been appointed deputy md of J Walter Thompson, part of WPP.

■ Tony Reiger, formerly md of TIP Europe, has been appointed a director of SITEX Security Products.

■ Nigel Franks, property director of Texas Homecare, has been appointed BhS property director and md of STOREHOUSE Properties. Christopher Coe has been promoted to become sales director of BhS. Frank Cox, a former director of Berketex Holdings and latterly a consultant, has been appointed chief executive of Blazer, also part of Storehouse.

■ Mark Metcalfe, formerly group financial director of the Nesbit Evans Group, has become financial director of HNE HEALTHCARE – UK.

■ Marc Walters has relinquished his role as group md of of QS HOLDINGS because of continuing ill health, but remains chairman. Neil Wanstall, formerly retail director, becomes group md and David Heywood, already a non-executive director and chairman of Remploy, is appointed deputy chairman.

■ Fred Meyer, chief financial officer of Omnicom, has been appointed to the parent board of AEGIS.

■ Charles Watson has been appointed md of Quadrant Gas, jointly owned by SHELL UK and ESSO UK.

Old guard moves on at Simon

John Barker, 57, the man responsible for building Simon Engineering into the world's biggest producer of powered access equipment, is the latest casualty of the boardroom shake-out at the troubled engineering group.

Barker, who joined Stockport-based Simon in 1974, has resigned from the main board and been replaced as managing director of Simon Access, Simon's second biggest business, by Ron Wheeler, a US citizen, who joined Simon in 1988 after it took over Telelect, a leading US manufacturer of digger derricks, telescopic aerials and cranes.

Wheeler, 46, who joined Telelect in 1969 and has been president since 1991, has not been given a seat on the Simon board. Barker, a past president of the International Powered Access Federation, will continue to be employed by Simon in a consultative capacity.

Barker is almost the last of the old guard to lose his seat on the Simon board following last summer's arrival of a new management team headed by Maurice Dixson, a former GEC executive director. Only Peter Cook, 58, who has been a director of Simon since 1977, remains on the board and he has been relieved of his responsibilities as managing director of the industrial services division, the biggest part of Simon's business.

Simon has dismantled its old divisional operating structure and the executives in charge of the main operating companies now report direct to the chief executive. Cook has been given responsibility for handling Simon's disposal programme which is designed to reduce the group's heavy borrowings.

Dixson has also installed one of his old GEC colleagues, Guppy Dhariwal, 44, as financial director of Simon Access which last year had a turnover of £135m. Dhariwal, who is an engineer and an accountant, spent 17 years with GEC and was financial director of its Satchwell division before joining Simon; he takes over on the departure of Brian Horner.

■ Tom Neville, a non-executive director, has resigned after six years on the board.

Post Office Counters, which among other activities is one of the bidders for the UK's national lottery scheme, has made two senior appointments which bolster its drive towards becoming more commercially-minded in its retail operations.

David Walker (above left), who joined British Airways in 1975 as a graduate trainee and eventually became its commercial manager, will head a new business centre – the branded markets business centre – which will be responsible for managing the company's own label products, leading its national lottery bid and increasing its share of the communications market. Besides the national lottery bid, Walker, 40, sees the 175 post office shops as being a prime area for future expansion and development.

Chester Wallace (above right), has been appointed director of another new business centre – the agency development centre – designed to support post office agents and franchisees.

In 1974, Wallace, 46, joined Allied Suppliers – which later became Argyll Foods and was acquired by Safeway in 1987, the year he left to work in retail management consultancy. Before this latest move he spent three years with Touche Ross management consultancy, again working on the retail sector.

Post Office Counters – which in 1992 had income of £1.1bn – runs the UK's 900 "crown office" post office outlets as well as the 18,000 sub-post offices and post office franchises, the latter accounting for 75 per cent of its business.

■ Engineering company Whessoe has appointed Barbara Richmond, 33, as its new finance director to replace John Samuel, 41, who moves to become group finance director of Ellis and Everard, the chemicals distributor.

Richmond began her career at Arthur Andersen after a degree at Manchester University. She worked at GEC-Alsthom as group financial controller of the electrical distribution group and moved to Whessoe in 1992. Samuel, a chartered accountant, had been at Whessoe for five years.

ARTS

Detail from 'Family Portrait' by Zhang Xiaogang, 1993, in the New Art from China exhibition

Drawn from Chinese life today

Lynn MacRitchie finds the image of China's New Man, self-assured as never before

Collectors have responded favourably to the contemporary Chinese figurative paintings now on show at the Marlborough Gallery. "They are buying them because they like them," said a gallery representative, and it is easy to see why: all the artists are competent painters or printmakers.

China was perhaps the only culture before modern times to appreciate, in the works of its traditional ink and wash painters, the essentially abstract qualities of brush work. After 1949, the communist regime imported into China's art schools the methods of their Soviet brethren, so that for the first time China came face to face with academic realism. The legacy of Socialist Realism, which required artists to be skilled in representing the human figure in poses convincing in form if unlikely in content, continues in its art schools to this day. Thus China produces excellent painters, skilled in the use of oils in a manner often mourned as lost in the west and able to draw the human figure and its surroundings with confidence and skill.

The Marlborough show is a miniature version of the major exhibition first seen at the Hanart Gallery, Hong Kong early last year, curated by Johnson Chang who has played a vital role in bringing China's contemporary art to the attention of the west. Some of the work was also seen at the *New Art from China* exhibition at the Museum of Modern Art in Oxford this autumn. Most of the paintings are expertly done, their subjects recognisable, their content, based on aspects of contemporary Chinese life, intriguing.

The differences between them are also intriguing, and lead to speculation as to how the work of painters in China will develop in future. Two strong tendencies are evident: a gritty naturalism, best exemplified by Liu Wei and also demonstrated by Liu Xiaodong, Xia Xiaowan, Wang Jianwei and Zeng Fanzhi and "Political Pop", of which Wang Guangyi is the leading exponent.

The paintings of Wang, who is nicknamed "China's Andy Warhol" for his clever amalgamation of images recalled from the posters of the Cultural Revolution with the brand names of Western products, are attractive to a western audience: they combine what westerners still expect to see in Chinese images – Red Guards waving banners and Little Red Books – with the comforting proof that consumerism has, after all, proved triumphant.

For some Chinese, however, these images are more thought provoking: many view the onslaught of materialism with anxiety and dismay. Although presently enjoying the trappings of his Pop-based success, Wang has shown himself capable of radical switches in style. His work of the early 1980s was minimalist, concerned with purity of form. His style changed as the shifts in economic policy produced such dramatic social changes that "a response was necessary," he said. Wang had already worked through a series using images of Chairman Mao in the mid-1980s before beginning the current series, known as the "Great Criticism", in 1990.

Others working in the pop style such as Yu Youhan, Li Shan or Wang Ziwei continue to find the Great Helmsman a useful subject. An interesting twist on Maoist themes is offered by Feng Mengbo, who in "Game Over: RMB$10", 1993, paints the workers, peasants and soldiers depicted on Renminbi notes as the characters in a video game. This mocking response from one born in the 1960s to the political class distinctions which had so devastating an effect on his parents' generation typifies the rejection by the younger generation of any kind of political philosophy, a state of mind which brings young Chinese close to their European and US contemporaries in a way not previously experienced.

While the necessity to work through the lexicon of Maoist symbols will fade, the new realist painters, absorbed in recording their personal experience, have managed to break with the demands of the state sponsored art machine while using the skills learned within it to make works which convey the essence of everyday life. Their subjects are no longer political leaders or spurious heroes but themselves, their friends and families, shown with an accuracy which, though it can be shocking, is also compassionate. While Liu Wei remains the master of meticulous mundanity, his family rendered, dirty finger nails and all, in luscious paint, "Family Portrait," 1993, by Zhang Xiaogang is striking in its tender melancholy.

Turning away from the cramped interiors and melancholy atmosphere evoked so skilfully by his colleagues, Fang Lijun has evolved a style all his own, part realist, part surrealist. A grisaille canvas, one of a series produced this summer, which shows a simple image, based on a photograph of the artist submerged in a swimming pool, is the most thought provoking painting in the show. Illuminated by sunlight through the water, the figure confronts the viewer bald, naked and alone, hand raised in a laconic "peace" sign.

In a country in which social stability has been most reliably maintained through the ties of family obligations, surviving even the Maoist onslaught of younger against older generations, the self- contained individual, responsible to no one, is a truly frightening figure. This ghostly grey image could be seen as a metaphor for China's latest version of the New Man, no longer socialist, no longer political, the lone young operator of the 1990s. Self-assured as never before, he looks out at the world and, frankly, he doesn't give a damn. Aged leaders, beware.

New Art from China: Post 1989. Marlborough Fine Art, 6, Albemarle Street, London W1X 4BY. Tel 071 629 5161. Until February 12.

Theatre in 1993/**Malcolm Rutherford**

Small stages deliver the goods

If there was a theme to theatre in Britain in 1993 – and there is absolutely no reason why there has to be – it was diversity. I remember all sorts of pleasures, but there was no pattern. The main impression is how much theatre there is: old plays rediscovered, imports from Europe and America, and the odd new talent at home.

Quite the best production of anything I saw in Britain this year was the Deutsches Theater performing Heinrich von Kleist's *Der Zerbrochne Krug* (The Broken Jug) at the tail-end of the Edinburgh Festival. As a play, it is relatively slight: a genial exposé of the law in a Dutch village at the beginning of the 19th century, and indeed of the law in general. It borrows from Falstaff and foreshadows Kafka. Yet the direction by Thomas Langhoff showed how much can be done with a light piece by paying loving attention to detail and bringing out even the smallest characters. This is the standard of excellence one needs to have in mind while watching home-made products, however good.

Some of the most enjoyable indigenous performances were also light in touch. The funniest was *Anorak of Fire* by Stephen Dinsdale, which came straight to the Arts Theatre in London from Edinburgh. The piece is simply the ramblings of a Yorkshire train-spotter who spots a lot else besides.

Yorkshire shone again when the Yorkshire Theatre Company brought Brian B Thompson's *Derby Day* to the Cockpit, which has emerged as one of the best of London's small theatres. The company mixes modern acting styles with old-fashioned humour: the actors play the horses as well as the people.

What *Anorak* and *Derby Day* have in common is that they are good-natured plays about unlikely subjects, and unusually well done. They bring the welcome effect of surprise. In a similar way I admired *The Lion* by Michael Abbensetts at the Cochrane. This is a political play, but the politics are those of the Caribbean, exiled in England: the style might be drawn from Noel Coward. The Talawa Theatre Company, which produced it, is bringing new voices into the English theatre.

There was a different surprise at the Bush, where *Keyboard Skills* by Lesley Bruce, was not unduly hostile to the Conservative Party and treated Tory women with sympathy: rather more respect than Tory men. Laughter, but not cruel laughter, is coming back.

There were more serious matters, of course. One of the outstanding performances of the year was Penelope Wilton as Hester in the revival of Terence Rattigan's *The Deep Blue Sea* at the Almeida. The scene where her husband comes back, they talk affectionately, but she still rejects him, is among the most emotional in English drama.

Equally welcome was the triumph of Robert Stephens in Adrian Noble's production of *King Lear* at Stratford. This is a quiet Lear who knows he is going mad and does so at times with a beatific smile. After his performances as Falstaff in the same theatre a year ago, Stephens has re-emerged in the forefront of British acting.

The up-and-coming star is clearly Alan Cumming who has had two consecutive successes, first as Hamlet, now as the master of ceremonies in *Cabaret* which is still running at the Donmar Warehouse. Cumming has a light frame, a strange gnome-like face and body which he knows how to use. Playing Hamlet with a Scottish accent was a perfect way of showing how the Prince of Denmark differs from everyone else in the court. Cumming is probably the Alec Guinness of the future.

There is also something about the place: the Donmar seats less than 300 people. It is one of the very few small theatres in a relatively smart part of London. But perhaps it is the size rather than the location that matters. Nearly all the best productions in the last year or so have come from the smaller stages, whether the Almeida in Islington, the Gate in Notting Hill, the Bush at Shepherd's Bush or the Orange Tree in Richmond. There is a string of others slightly less well-known.

The two main subsidised theatres – the RSC and the RNT – are also using their smaller stages well. Schiller's *Wallenstein* would never have found an audience in the main Barbican; at the Pit it played to perfection – and to near capacity. Tony Kushner's *Angels in America* is playing, again to capacity, at the Cottesloe, not one of the RNT's bigger arenas.

Alastair Muir

The Alec Guiness of the future? Alan Cumming (top) as Hamlet with Pip Donaghy at the Donmar

Alastair Muir

Tony Kushner's epic 'Angels in America' at the Cottesloe caught the ear and the eye

Angels is one of a number of American pieces that caught the eyes and ears. David Mamet's *Oleanna*, first at the Royal Court and now at the Duke of York's (with a new cast from January 11), achieved what must be a playwright's ultimate dream – making people talk about it long after they had seen it. Arthur Miller showed in *The Last Yankee* at the Young Vic that he is writing as well in his late 70s as he was nearly 50 years before when he produced *Death of a Salesman*.

The Americans, at their best, have a talent for dialogue which eludes most living Englishmen, save perhaps Harold Pinter, who directs *Oleanna*, has experience of screen-plays and gave us his own new piece in *Moonlight*. Well done, this first Pinter play of any length for 15 years is terrific: a lot depends on the timing and an audience ready to listen.

The contrast between American and English writing comes up again in the RNT's bold decision to stage two national epics more or less simultaneously: Kushner's *Angels* alongside David Hare's trilogy about the established church, the law and the Labour Party in Britain. Perhaps America simply *is* a livelier place. Anyway, where Kushner scores is in his ability to be both witty and moving. The waltz between the two male lovers at the end of *Millennium Approaches* is pure pathos. Hare builds big scenes on a big stage, but is ultimately short on feeling. His characters are what E M Forster would have called "flat".

There were other, extraneous delights. Two big American musicals, *Crazy for You* and *City of Angels*, fought it out for audiences and unfortunately the better one lost, though not without winning a reprieve. When it was announced that *City* was closing, there was a sudden rush for tickets, which kept it going for another few weeks.

Shakespeare returned to Shaftesbury Avenue with an uproariously funny production of *Much Ado About Nothing* where Benedick (Mark Rylance) was a plain blunt Ulsterman. Maggie Smith made a little bit of theatre history in *The Importance of Being Earnest* at the Aldwych by letting the famous handbag line go through to the wicket-keeper, then hitting the next one ("the line is immaterial") for six.

Donald Sinden (who must be knighted if a theatrical tradition and a proper use of honours are to be maintained) is still playing in a thoroughly enjoyable revival of *She Stoops to Conquer* at the Queen's, and it was pleasing to see Oliver Goldsmith's other play, *The Good Natur'd Man*, appearing at the Orange Tree. I would like to believe that this was an act of cooperation between a West End theatre and a smaller place slightly out of town, but I think it was coincidence.

A final note: by the standards of most activities in Britain, the theatre is remarkably efficient. Yet sometimes a little more co-ordination between who is doing what and when might be helpful – not *Macbeth* at the RNT *and* the RSC, and not too many openings on the same night.

Recital/**David Murray**

Syncopated Weir

The special attraction in Susan Tomes's recital, at the Wigmore on Wednesday, was a piece newly written for her by Judith Weir. Miss Weir is of course the teasing composer of *A Night at the Chinese Opera* and many other quirky things – among them, no doubt, her forthcoming *Blond Eckbert* for the English National Opera. Miss Tomes is the pianist of the excellent Domus trio, which boasts two Weir pieces in its repertoire.

In the new piano piece, called *The King of France*, Weir seems to have remembered the Tomes penchant for Billy Mayerl: there were strong hints of that toward the end of it. But her guiding inspiration was an ancient Sephardic Jewish song, "El Rey de Francia"; in fact *The King* is a set of 10 variations on it. The tune has a plangent ring and intriguing curves, variously exploited and developed in the variations.

Often there are rude, syncopated basses; oddly fractured Weir(d) piano-textures, too, and one big variation – grave and searching, with sharply struck chords that linger on – with a kind of post-Romantic eloquence. Some brusque transitions puzzled. I imagine that Miss Tomes will be delivering *The King of France* with more persuasive confidence in a month or two.

She was not really at her best on Wednesday. Her Mozart, the late, lovely B-flat Sonata K. 570, was clean and alert, and the ornaments glittered, but the whole seemed a touch self-effacing. There were excellent things in her three Fauré nocturnes, not least the unshakeable Tomes pulse, and yet the tunes often sang too shyly to emerge from the figuration. She took the Third Nocturne well below Fauré's tempo, at some cost to its dance-spring and its winsomeness, and in the little Eighth Nocturne the soft scales that wind around the melody were *not* soft, but distractingly bright.

In spite of the evident affection and care that she lavished on Schubert's great A major sonata, D.959, it was not a very happy performance. The sparkling Scherzo, at least, is right up the Tomes alley; but the Andantino was wan, and the Finale sadly tame, without the energy to make the closing teases even begin to work. The strenuous passages in the first two movements sounded like hard, anxious work. A devoted audience applauded her anyway.

INTERNATIONAL ARTS GUIDE

■ EXHIBITIONS

AMSTERDAM
Rijksmuseum Dawn of the Golden Age, Northern Netherlandish Art 1580-1620: 350 works offering a magnificent survey of art in the Netherlands around 1600, from the dramatic paintings of Cornelis Cornelisz van Haarlem and Abraham Bloemaert to the more subtle portrayals of Pieter Lastman and Hendrick Avercamp. The exhibition, one of the Rijksmuseum's most ambitious ever, includes prints and drawings by Hendrick Goltzius and Jacques de Gheyn, as well as silver, tapestries, glass, textiles and furniture. Ends March 6. Closed Mon
Museum Het Rembrandthuis The Netherlands from Life: a visual walk through the countryside of 17th century Holland, with 90 prints of landscape and rural life by Ruisscher, Rembrandt, Van de Velde and others. Ends March 6. Daily
Van Gogh Museum Georges de Feure and Félix Bracquemond: retrospective of the Dutch Symbolist painter and the late 19th century French printmaker. Ends Feb 13. Daily
Stedelijk Museum Donald Judd: sculptures from Dutch public collections. Ends Jan 23. Daily
BASLE
Kunstmuseum Matthaeus Merian: 400th anniversary exhibition of drawings by the Basle landscape artist. Ends Feb 13. Closed Mon
BERLIN
Schloss Charlottenburg The First Europeans: artefacts of archaeological, scientific and artistic interest from eleven European countries, painting a picture of early European civilisation. Ends Feb 18. Daily
BIELEFELD
Kunsthalle Picasso's Late Work 1966-72: paintings and drawings from worldwide collections. Ends Jan 30. Closed Mon
BONN
Kunst- und Ausstellungshalle Gerhard Richter (b1932): 100 works by the leading postmodern German artist. Ends Feb 13. Closed Mon
FRANKFURT
Städel Landscape and Interior: 19th century French and German prints. Ends Feb 28. Rosso Fiorentino's Madonna with the Child John. Ends Jan 30. Closed Mon
Jahrhunderthalle Hoechst Giorgio Morandi: paintings, watercolours and drawings by the early 20th century Italian still-life painter. Ends Jan 23. Daily
Schirn Kunsthalle Georg Flegel (1566-1638): 260 works by one of the major still-life painters of the early 17th century. Ends Feb 13. Daily
GENEVA
Musée Rath Art of the Italian Peoples 3000-300 BC: more than 300 ornaments, utensils and other objects from pre-Roman Italy, drawn from Swiss public and private collections. Ends Feb 13. Closed Mon
Petit Palais From Matisse to Kandinsky: works from private collections. Ends Jan 30. Daily
Musée d'art et d'histoire Egyptian Fabrics: a large private collection illustrating the techniques and richly-decorated styles which developed in the transition from the Coptic to the Islamic eras in Egypt. Ends May 1. Closed Mon
LAUSANNE
Fondation de l'Hermitage From the Museum's Collection: a thematic grouping of paintings and drawings by Sisley, Daumier, Bocion, Magritte and others. Ends Jan 30. Closed Mon
Musée d'Art Contemporain Takis (b1925): retrospective of the self-taught Greek artist, featuring sculptures and installations which produce sounds, light and movement. Ends April 4. Daily
Musée Cantonal des Beaux-Arts Masterworks of the 18th and 19th Centuries: paintings by Renoir, Degas, Cezanne, Bonnard, Vuillard, Vallotton and other works from the museum's collection. Ends Aug 14. Closed Mon
LONDON
Accademia Italiana Renaissance Florence: The Age of Lorenzo the Magnificent 1449-92. Ends Jan 23. Daily
Royal Academy of Arts Great Master Drawings from the Getty Museum. Ends Jan 23. Daily
National Portrait Gallery Thomas Eakins, 19th century American portraitist. Ends Jan 23. Daily
Hayward Gallery Roger Hilton: 100 works by one of the most vital British painters of the postwar period. Ends Feb 6. Daily
MADRID
Centro de Arte Reina Sofia Bruce Nauman: 60 works from all periods of the American conceptual artist's career, including a selection of early untitled sculptures, a corridor installation and nine neon sculptures. Ends Feb 21. Agnes Martin. Ends Feb 12. Closed Tues
Prado Goya: cabinet pictures, sketches and miniatures. Ends Feb 15.
Fundacio la Caixa J.M.W. Turner: drawings and watercolours from the Tate Gallery in London. Ends Jan 20. Closed Mon
MUNICH
Villa Stuck Franz von Stuck, Painter-Prince: more than 120 paintings, drawings and sculptures by the flamboyant Munich artist, who taught Kandinsky and Klee and painted Jugendstil-Symbolist portraits of woman as temptress. Ends Feb 6. Closed Mon
Staatsgalerie moderner Kunst Etta and Otto Stangl Collection: 260 paintings Klee, Beckmann, Jawlensky and other 20th century German artists. Ends Feb 13. Closed Mon
NEW YORK
Metropolitan Museum of Art Lucian Freud: 80 paintings, drawings and etchings celebrating the recent achievements of Britain's greatest living realist painter. Ends March 13. 16th Century Italian Renaissance Drawings in New York Collections, including little-known works by Raphael, Michelangelo and Titian. Ends March 27. Fusuma Paintings from Ryoan-ji and the Lore of China in Japanese Art. Ends April 24. Closed Mon
Guggenheim Museum Industrial Elegance: objects of everyday mechanical beauty selected by 63 architects and designers. Ends Jan 23. The main museum is closed on Thurs, the SoHo site on Tues
Whitney Museum of American Art Mike Kelley (b1954): 170 paintings, drawings, sculptures and photographs by the influential Los Angeles artist. Ends Feb 20. Walker Evans and Dan Graham: photographs by two men of different generations who share a vision of America as a failed utopia. Ends March 20. Closed Mon
Museum of Modern Art Sarah Lucas and Steven Pippin: sculpture, photographs and installations by two young British artists. Ends Feb 8. Closed Wed
PARIS
Musée d'Orsay The exhibition of French post-Impressionist paintings devoted to the Nabis, previously housed at the Grand Palais, can be seen from Jan 11 to Feb 13. Closed Mon, late opening Thurs
Musée d'Art Moderne de la Ville de Paris Around a Masterwork of Matisse: the three monumental versions of the Dance ordered by Dr Barnes for the principal gallery of his foundation in Merion, Pennsylvania, are shown for the first time side by side, together with preparatory sketches and photographs. Ends March 6. Closed Mon (11 ave du President Wilson)
Musée du Luxembourg The Glorification of Saints in the Limousin Region: 100 examples of religious art from the Middle Ages to the 20th century, including enamelware, goldsmiths' work, manuscripts and wood carvings. Ends March 9. Closed Mon (19 rue de Vaugirard, on the edge of Luxembourg gardens)
Louvre The newly-opened Richelieu wing, with its three covered courtyards, completes the major part of a project to transform the former royal palace into the Grand Louvre. It offers a dazzling setting for the collections of Islamic art, medieval art (including the Treasure from the Abbey of Saint-Denis), Rembrandts and Rubenses, and French paintings from the 15th to 17th centuries. Closed Tues
Versailles Versailles and the Royal Tables of Europe from the 17th to 19th centuries. Ends Feb 27. Closed Mon
ROME
Palazzo dei Conservatori Rediscovering Pompei: 200 objects, many from recent excavations, including the re-creation of an entire room, using detached frescoes of flowers and birds which decorated one of the grandest villas of what must have been the Beverley Hills of the Roman Empire. Ends Feb 12. Daily
ROTTERDAM
Museum Boymans-van Beuningen Italian Paintings 1300-1500: 26 paintings by early Italian artists from Bologna, Florence, Siena and other towns in northern and central Italy, complemented by a wide selection of contemporary prints and drawings. Ends Feb 27. René Block Collection: works by Beuys, Polke, Richter and other modern artists, collected since the 1960s by the renowned German exhibition maker. Ends Feb 6. Closed Mon
STUTTGART
Neue Staatsgalerie Henri Matisse: drawings and gouaches from the 1940s and 1950s, including 158 drawings for the series Themes and Variations. Ends Feb 20. Closed Mon
VIENNA
Albertina French Drawings from Clouet to Brun: 150 works from the Albertina's collection of 16th and 17th century French drawings. Ends Jan 23. Daily
Jüdisches Museum Jewish Vienna: a cultural history of Jews in the city. Ends May 15. Song of Songs: abstract paintings by avant-garde German artist Heinz Mack based on motifs from the Song of Solomon. Ends Feb 13. Closed Sat
Kunsthistorisches Museum Baroque in Naples 1707-34: Neapolitan art from the era of the Austrian Viceroys. Ends Feb 20. Closed Mon
WASHINGTON
National Gallery of Art The Age of the Baroque in Portugal. Ends Feb 6. Nine Old Master Drawings: works by Dürer, Van Dyck, Rembrandt, Goya and Tiepolo, recently given to the museum. Ends Jan 30. Daily
National Museum of Women in the Arts Judith Leyster: 10 works by the 17th century Dutch genre painter. Ends April 3. Daily
Walters Art Gallery Artists of Ecouen. Ends Feb 6. Closed Mon
National Museum of American Art Arvin Gottlieb Collection: 22 paintings by artists who worked in New Mexico 1900-1940. Ends March 20. Daily

Forecast 94

At risk from party politics

German growth requires a subtle policy mix, says **Klaus Friedrich**

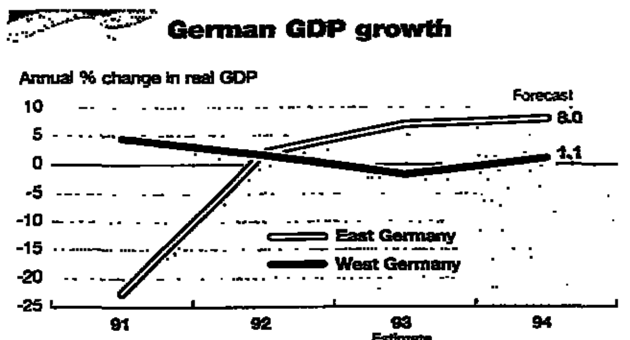
The German economy has had a very bad press during the past few months. It seems exaggeration is the name of the game. In good times, people speak of economic miracles. In bad times such as these, "worst ever" commentary abounds. Anyone who has observed west Germany's very high living standards, in particular the high consumption of luxury goods and the relative generosity of public services, will have difficulty in accepting Götterdämmerung scenarios.

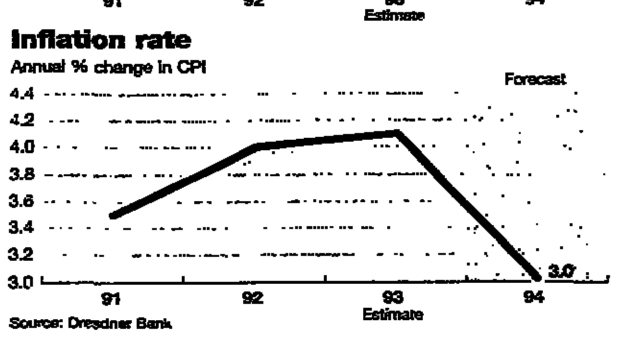
Germany is, after all, in the midst of a historic development project, namely the integration of east Germany. Net transfers from west to east – amounting to 5 per cent of German gross domestic product – have been the equivalent of what would be, in normal times, the annual increase in western incomes. These transfers are helping to build a new infrastructure in east Germany. They are also being *used to support consumption* during the period that east German manufacturing undergoes a lengthy, but necessary, adjustment process.

For west Germans, the prospect of sacrificing increases in their real incomes for several years is no cause for joy. They now realise they cannot have their reunification cake and eat it too. But the transfer is an investment for the future, a huge national savings programme that will pay off when the east produces as much as it consumes. On that day, a good part of Germany's present structural problems will be solved.

Germany's challenges have been made more complex by the need to reorientate its economy towards the east. Other problems, such as high structural unemployment, seem common to most west European countries.

At present, west Germany has 2.5m registered unemployed. In east Germany, the number is 1.2m. This excludes workers in jobs subsidised with public funds. In 1994 production and demand will increase moderately, but not enough to reverse companies' programmes of labour shedding. Unemployment is thus likely to rise further in west Germany. In east Germany, on the other hand, unemployment appears to be stabilising, albeit at a high level.





Source: Dresdner Bank

In view of the present structure of the German labour market, a growth rate well over 3 per cent would be necessary to stabilise overall employment. Thus the ending of the downturn will not end the political problems caused by rising unemployment. This apparent inconsistency is reflected in a booming stock market at a time when much of the electorate is still feeling the impact of recession.

The good economic news is that west Germany has been growing at an underlying annual rate of 2 per cent since the spring of 1993. Productivity in many enterprises is rising, while the increase in unit costs has been slowing.

The inflation outlook has improved steadily. Producer and import prices have been falling and are now feeding into the cost-of-living index, which in recent months has been increasing at an annual rate of about 2.5 per cent. The 1994 wage round is likely to lead to far lower settlements for 1994 than last year.

In view of the subdued economic growth and low capacity utilisation, it is not surprising that price pressures from the demand side are practically non-existent. The inflation rate is, however, being increased by rises in indirect taxation, administered prices and general levies.

The new surtax on petrol, which came into effect on January 1, will add as much as 0.5 percentage points to the cost-of-living index this month. Nevertheless, there is a good chance that inflation will ease further in the course of 1994, giving an average increase over last year of less than 3 per cent.

Germany's inflation performance is the most important determinant of the Bundesbank's interest rate policy. The faster inflation slows, the better the case for interest rate reductions. Later in 1994, when the year-on-year increase in the cost-of-living index falls to below 3 per cent, the Bundesbank's interest rates are likely to have fallen by a further 2 percentage points from their current level.

On the capital markets, the level of German interest rates is already remarkably low by past standards. As a result of the high credibility of the Bundesbank's anti-inflation policy, foreigners have made large-scale purchases of German bonds.

The Bundesbank has taken great care to avoid any action which would disturb the long end of the market. In particular, it has rejected any hurried cuts in short-term interest rates, preferring to rely on its policy of *Trippelschritte* (cutting rates in "dribbles").

There is little doubt that this *policy will be continued in* 1994, with a key role likely to be played by the exchange rate. Two opposing factors are at work here. On one hand, German exporters have lost international competitiveness as a result of the sharp real appreciation of the D-Mark over the past year – a factor which would point to a weakening D-Mark. On the other hand, in view of the need to attract inflows of foreign capital to sustain the fall in long-term interest rates, the Bundesbank places considerable importance on maintaining a firm D-Mark.

This delicate balance of objectives would best *be achieved by stable* currency relationships within the European Monetary System. Although most countries have now shifted to wide bands after the August currency upsets, the currencies of some of Germany's most important EMS partners have now moved back into the former narrow bands.

As long as this relative stability in Europe is maintained, the prospect of a moderately stronger dollar is unlikely to disturb opportunities for a further drop in German short-term interest rates.

In view of the proliferation of national and regional elections in Germany this year, 1994 brings political risks. The general election in October seems at present unlikely to result in a clear victory for a party of the traditional left or right. Rather, we may see the formation of a coalition government, comprising either the two main parties – the Christian Democrats and Social Democrats – or a larger group of parties with divergent positions.

In either case, the government which takes office at the end of the year will have difficulties formulating and implementing a clear economic policy – a factor likely to have a progressively important impact on the 1994 outlook.

The author is chief economist of Dresdner Bank

THE FT INTERVIEW: Peter Davis

Stable hand on the reins

Mr Peter Davis last bet on a horse two or three years ago and does not do *the football* pools; his business career has been characterised by more than an average degree of prudence. "I am a solid, middle-aged chartered accountant," he says with a laugh.

Such characteristics – combined with a previous form that includes the deputy chairmanships of Abbey National, the banking and financial services group; of Sturge Holdings, the insurance and stockbroking company; and of Harris Queensway, the retailer – should put the stamp of integrity on what will be the UK's biggest game of chance.

As director-general of the National Lottery, the regula*tory body that will choose a* licensee to run a series of gambling contests, Mr Davis, 51, will have the distinction of ending the UK's isolation as the only country in Europe without a National Lottery. The second last was Albania.

If all goes well, the lottery should have a turnover of between £3bn and £4bn within three years of its launch, probably early next year. It will raise as much as £1bn a year for the five nominated good causes, each of which will get an equal slice – the arts, charities, the national heritage, sport and a fund to celebrate the millennium.

"I think it's going to add a dimension to our public life. It's going to be a ray of sunshine in what is a pretty grey and drab world for the British public," says Mr Davis.

Applicants for the licence to run this substantial business are already lining up. "Expressions of interest" are required by January 14, with the deadline for applications a month later. Mr Davis has promised to declare the winner by May as long as he is not swamped by an unexpectedly large number of runners.

The field – either formally declared or highly likely – includes: Camelot, a consortium backed by Cadbury Schweppes; the Great British Lottery Company, including Granada and Carlton Communications; Ladbrokes, with

Ashley Ashwood
Peter Davis, director-general of the National Lottery in the UK

Lord Hollick's financial services and media group MAI; the Lottery Foundation put together by Virgin chairman Richard Branson (the only applicant pledged to handing over all profits to a charitable foundation); Rainbow, a consortium being put together by BAT chairman Sir Patrick Sheehy; the Rank Organisation; N.M. Rothschilds, the merchant bank, with Australian lottery operator Tattersalls; and the Tote, which operates horse racing's pooled betting system, with Thorn EMI. There are also believed to be two more, so far undeclared.

> **'We as a nation like gambling. There is every reason to assume it will succeed'**

Making clear his determination to get the best deal for good causes – he is obliged by the lottery legislation to maximise the amount raised – Mr Davis says he has written a reserve price for the licence on a piece of paper and locked it in a lawyer's safe. It specifies the maximum amount (as a percentage of sales) a licensee may retain to cover costs and profits after the Treasury takes its 12 per cent cut, and the minimum percentage the operator must hand over for good causes.

"The most important factor in any bid will be: 'Tell us how much you are going to give us for good causes.' It will be a very tight judgment. You're dealing with percentages . . . It is certainly not impossible that it will be a very small difference."

In the job for only four months, Mr Davis has been keen also to maximise the chances of the lottery becoming a success for the operator, as well as in terms of money raised. "I would give him an alpha," said one applicant who, not wanting to appear obsequious, asked not to be named.

Mr Davis acknowledges that the draft plan he inherited from the National Heritage Department was of a high intellectual quality, but adds: "In a number of respects it was lacking in commercial input."

He declines to list all the changes he made but some were announced publicly after consultations with potential licensees. For instance, Mr Davis agreed applicants should be given the right to publish as many, or as few, details of their bids as they wanted to, overturning an earlier insistence on confidentiality.

He also removed a requirement that each applicant should specify a minimum payment to charity each year – several applicants had expressed fears that they might not be able to bid if they had to make such a commitment in advance. Mr Davis also reduced the penalty for pulling out before the seven-year licence expires.

He is at home with such minutiae. "An accountant's stock-in-trade is details, numbers, paper," he says. But in his past career he has also seen himself as a "bridge", putting into practice the ideas of flamboyant characters such as Sir Phil Harris of Harris Queensway and Mr David Coleridge, chairman of Sturge, and liaising with line managers.

"I have always liked being the bridge between the operator and the professional management of the business," says Mr Davis who presciently decided to leave Harris Queensway in 1987, a couple of years before the company's difficulties became apparent.

He regards his latest "absolutely fascinating and unique job" as a philanthropic mission. It gives him a first taste of the public sector and its pay scales. His £80,000-a-year salary is much lower than he could command in the private sector.

He is circumspect about how much might be raised for charity, refusing to go beyond a forecast by Mr Peter Brooke, national heritage secretary, that the lottery should have revenues of around £1.5bn a year. Most specialists believe that is an underestimate.

Nevertheless Mr Davis agrees the signs are auspicious. "We as a nation like gambling. We like our fun game. I think there is every reason to assume it will be very successful provided we can set up the right people and the right marketing."

Another omen is also favourable. In Ireland recently, Mr Davis bought a I£2 lottery ticket to see how the successful Irish lottery worked. The ticket won him a prize of I£3. The challenge now is to prove he can pick a winner to run the UK's national lottery.

Raymond Snoddy

LETTERS TO THE EDITOR

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Valuations may hit pensions smoothing

From Mr Robert C Ross.

Sir, Gordon Clark (Letters, January 6) makes the important point that the financial health of a pension fund is measured by the difference between the value of its assets and the value of its liabilities. The actual performance of the assets *per se* is far less significant than the development of the funding level.

Mr Clark draws attention to the fact that the rate of increase in market values of pension assets in 1993 has exceeded the rate of increase in actuarial value of assets by almost 30 per cent. The reason that actuaries value pension fund assets by discounting future dividend flows to a present value is to smooth the "aberrations" of market movements.

The benefit of this approach is that short-term market movements do not necessitate changes to long-term contribution rates which may subsequently be reversed.

Over a long period of time one would expect the actuarial and market values to converge – they are both heading to the same place but the former, hopefully, will have a smoother path. However, the comfort which this smoothing provides may be illusory. If the path of actuarial values diverges from that of market values, then this must mean that the actuary's assumptions about dividend growth were wrong because they have been shown to be inconsistent with events in the market. The actuary will revise his assumptions to move his valuation back in line with that of the market, causing a discontinuity in the actuarial value and potentially a corresponding shift in the recommended contribution rate. Thus there is a danger that the suppression of fluctuations in market value in the short/medium term will be released at intervals in the longer term, obviating the apparent benefits of trying to smooth out the real world.

If prevailing actuarial assumptions are maintained, then many year-end 1993 asset valuations will be as much as 25 per cent below market values.

This may cause some actuaries (if not yet their clients) to consider whether they are still heading along the wrong track. A recommendation to end a contribution holiday because credit is only being given for 75 per cent of the market's valuation of the fund's assets may not be well received in some quarters.

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What pursuit of efficiency fails to consider

From Mr Graham Hallett.

Sir, There have recently been many reports of job losses in various industries, which are invariably welcomed in your columns as a sign of improved "productivity", or "efficiency".

Is this necessarily so? The British coal mines which have been closed are set to cause serious river pollution ("Abandoned pits pour out a toxic threat", December 22). Most of the displaced miners will remained unemployed, and the bill for imported coal will rise sharply.

In the Post Office, the fall in the numbers of counter workers which is promised after privatisation will mean that there will be no time to give advice to old ladies. In "social housing", "efficiency" means building the largest number of housing units possible with the (small and falling) amount of public subsidy available, irrespective of the needs of the tenants, architectural merit or long-term maintenance costs. And so on, in industry after industry.

Does not the ruthless pursuit of a narrowly-defined "efficiency" which now dominates public policy leave many important matters out of account?

Graham Hallett,
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The unheeded signs at MG

From Mr Martin E Simons.

Sir, Your leader, "When a system breaks down" (December 21), was a pertinent comment on the grave debacle at Metallgesellschaft, the extent of whose problems you outlined in your report, "Metallgesellschaft reveals losses of almost DM2bn" (January 6). More needs to be said, though, about the foolhardiness of MG's enormous expansion since 1989 which does not seem to have been fully appreciated.

This is illustrated by the disastrous acquisition and subsequent divestment of Schiess at great cost. MG's sale of 12.5 per cent of Kolbenschmidt in October 1993, whereby it turned an important partly-owned, geared and loss-making subsidiary into an associate, was a clear indication of developing problems. However, this was apparently not adequately heeded by principal shareholders and investment analysts. And this was well before MG was hit by problems in the US triggered by falling oil prices.

The extraordinary scale of acquisitions and divestments, accompanied by uncovered dividend payments, would have stretched the most competent of managements and was surely doomed to failure. Some deals should have been vetoed by MG's bank shareholders, notwithstanding their loss of what were presumably substantial investment banking fees.

Martin E Simons,
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Question mark over threat of patent case to multimedia industry

From Mr John R Davies.

Sir, Having read the article, "Strong feelings over patent dispute" (Technology, December 2) by Tom Foremski and Louise Kehoe, I have kept a close watch on developments relating to Compton's NewMedia's broad US patent covering most multimedia products.

Just before Christmas two matters which arose could affect the impact of this patent in the UK. First, in confirmation of the generally accepted view that computer programs as such are not patentable under UK law, a report of *Raytheon Co's Application* was published in the reports of patent cases. This concerned a patent application for a computerised system for recognising the outlines of ships. It was rejected by the English Patents Court as being a program for a computer which simply performed an act which could otherwise be performed mentally. The outcome of this case supports the view held by most multimedia producers that Compton's NewMedia's patent is invalid since it merely claims a computerised way of browsing through an inter-related set of words and pictures, for instance an encyclopaedia.

Second, and perhaps more importantly, it was announced on December 16 by the US Patent and Trade Marks Office that it would be "re-examining" Compton's NewMedia's patent. Apparently, new material has been brought to the attention of the US Patent Office which was not considered during the original process of examination.

Additionally, I understand that the US Patent Office will be reconsidering the obviousness of the invention. It appears that, unusually, the US Patent Office has decided to initiate the re-examination on its own behalf as a result of the storm of controversy caused by the grant of the patent.

Should the US Patent Office reject Compton's NewMedia's patent on re-examination it may be that it will not represent the threat to the multimedia industry that multimedia producers have feared. However, I understand that there are a number of other similar patents in the process of examination in the US and in Europe and that this will therefore represent only a first skirmish in the battle for control and exploitation of the multimedia industry in the 1990s.

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FINANCIAL TIMES

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Friday January 7 1994

More shock, more therapy

The electoral success of Mr Vladimir Zhirinovsky was not an infallible prophecy. It was a sharp warning. The lesson to be drawn is not that shock therapy has been tried and failed. It is that it has not really been tried, that not trying has failed and that a shock therapy which just might succeed must now be tried. What is needed is not more therapy and less shock, but more shock *and* more therapy.

It has been obvious since the failure of the coup in August 1991 that reform in Russia would enjoy but a short window of opportunity. If the opportunity was let slip, the collapsed Soviet Union was likely to turn into a simulacrum of the former Yugoslavia, but an order of magnitude bigger. Mr Zhirinovsky's electoral success demonstrates that this danger is not a theoretical one. If the Russian people do not begin to feel hope soon, they may indeed elect a government of xenophobic reactionaries who would enjoy the ability to blow up the planet.

The natural response to the cry of pain from the Russian electorate is to blame their suffering on shock therapy. But it would be the wrong response. Russians are not suffering from shock therapy. They are suffering from a malady to which no therapy has yet been seriously applied. That malady is the collapse of the Soviet political and economic system.

If voters are calling for a return to the past, there is no remedy to offer. If they are calling for a better future, fast reform is the only remedy. What, after all, do voters seem to want? They want more food. They want an end to corruption. They want secure jobs. They want a currency they can trust. None of these things is achievable without reform.

Rewarding prices

If consumers are to enjoy more food, farmers must enjoy rewarding prices, while the distribution system must be made more competitive. If legal business is to thrive, the old Soviet principle *that everything is forbidden* which is not permitted must be replaced by the rule of law. If workers are to have secure jobs, they must work for businesses that satisfy market demand, not the planners. If the people are to possess a currency they can trust, rather than one which loses 90 per cent of its value in a year, the government budget must be financed in an non-inflationary way.

Achieving any of these changes demands radical reform. The slower the reforms, the more slowly will come the benefits. In the meantime, Russia would remain in economic chaos. That would not be anything new, since half-hearted reform has, in effect, been the policy of the past two years. Those compromises have demonstrably failed, both economically and politically. If that is not warning enough, there are also the examples of Ukraine and Romania, which have been reformed even more slowly and are in a still more dreadful state.

The challenge is to devise and implement a programme of radical reform that is also politically acceptable. Only close co-operation between Moscow and the west can make that combination conceivable. Without western financial support, there is probably no politically tolerable programme. Without determination in Moscow, which has not been in evidence since the election, nothing at all can be achieved. At present, however, both parties look likely to fall short. Mr Yeltsin does not dare enough, while the west does not seem to care enough.

Market economy

The core of such a programme must be acceleration of the move to the market. To privatisation, the great success of the past two years, must be added further rapid moves towards a legal basis for the market economy. There must also be sufficient monetary discipline to provide a currency worth striving for. An economy may survive inflation at 20 per cent a year. No economy can thrive with inflation at 20 per cent a month.

Inflation is a monetary phenomenon. The Russian central bank's argument that the monopolised economy rather than itself is mainly to blame for inflation is nonsense. It should stop printing money. But since the government cannot raise taxes to cover the demands upon it, that is at present impossible.

If the west wants the economic benefits of the shock, it must provide the wherewithal to finance the therapy. In particular, it must help support the incomes of workers who are already unemployed in fact, but may soon be unemployed for all to see.

Russia's path to perdition starts off looking relatively comfortable, while the path of hope is steep. It is the one that combines radical reform with generous western finance of politically essential current expenditures, including a social safety net. Designing the details of such a path can be delegated to western international agencies. But the decision on whether or not to follow it can only be taken by Mr Yeltsin and western heads of government. They have been given a salutary warning. Either they act decisively now or they risk turning an evident danger into a disaster.

Curbing the cost of drugs

Countries struggling to cut their healthcare costs find the budget for prescribed drugs an irresistible target. Spending on pharmaceuticals in the advanced economies is typically about 10 per cent of health expenditure. But as the Italian government has just discovered, cutting the cost of drugs can unite doctors, pharmacists and pharmaceutical companies in a powerful lobby against change.

Yet the differences between the amounts spent on drugs in European countries indicate scope for cuts. Some countries are spending twice as much on medicines per head as others, without achieving greater improvements in life expectancies. Doctors in France prescribe five times as many items as UK doctors and six times as many as in Denmark. Many of the drugs prescribed in high-volume markets such as France are of little proven efficacy and are not used outside those countries.

Cost-cutting reforms to the German healthcare system introduced last year focused heavily on tighter controls over drug prescribing. As a result, more than 20 per was saved on medicines between January and June 1993, with a significant switch to cheaper, off-patent, generic medicines. Opposition from the health professionals and the drugs industry was no less vociferous than in Italy. But after a loss of DM9bn in 1992, the health insurance system reported a surplus of DM2.6bn in the first six months of 1993.

Medicine sales

Italy is among the more profligate of European countries in its spending on drugs. Pharmaceutical expenditure reached 15 per cent of the total health budget in 1991, compared with an EU average of about 10 per cent. In the first half of 1993, prescription medicine sales through pharmacists were $78 a head, compared with only $46 in the UK and $54 in the Netherlands. A recent Italian survey estimated that 10 of the top 50 products sold in that country offered no therapeutic benefit.

In an attempt to cut costs, the Italian government has increased the number of drugs for which patients must pay some or all of the costs. It is also trying to crack down on unauthorised drug dispensing and fraud, which have swollen the bill. This should encourage greater responsibility in consuming pharmaceuticals and may even promote healthier lifestyles.

Generic products

Yet more needs to be done to curb drugs spending. The UK's drugs bill is kept down through measures such as giving doctors budget guidelines for prescriptions, pressure to prescribe lower doses of some medicines and widespread use of generic products. According to a report from National Economic Research Associates – sponsored by 40 of the world's largest pharmaceuticals companies – generic medicines are "virtually absent" from the Italian prescription market. Family doctors have no incentive to prescribe them, while manufacturers, wholesalers and pharmacists enjoy superior profit margins on branded medicines.

Simply bearing down on pharmaceutical costs may also have unintended consequences elsewhere in the health system. Prescribing some drugs, for example, may allow patients to be discharged earlier from hospital – or avoid in-patient treatment altogether. Falling drugs bills could mean rising costs of hospital and out-patient treatment.

It is overprescribing which needs to be eliminated, not prescribing as such. Healthcare reform needs to look at the whole system to ensure that all the players have the right incentives to provide no more treatment than is needed.

A break in the siege mentality

Israel's economy is poised to hasten its journey to the market, and reap a peace dividend, says **Julian Ozanne**

While western Europe is looking anxiously for signs of economic recovery this year, Israeli policymakers are arguing not about the possibility of growth but about the level of growth the economy can prudently sustain.

The intensity of the debate has been revealed by the war of words between the two main economic bodies – the finance ministry, committed to returning to the 6 per cent growth rates achieved in 1991 and 1992, and the central bank, worried about a surge in inflation. But the fact that the argument, sparked last week by an increase in interest rates to 10.5 per cent, has been ignited in public is a sign that Israel is pondering the problems of economic success, not failure.

The country now has the potential to be both the main beneficiary and the driving economic force of a Middle East which, if a comprehensive peace with all its neighbours is finally concluded, could be radically reshaped. But to exploit the potential of a comprehensive regional peace accord, Israel must undertake profound structural changes to speed up liberalisation and enable it to reach out to new markets.

Despite the difficulties that are bound to confront attempts to reduce unemployment and push through privatisation policies, there is a mood of optimism among Israeli businessmen and bankers. Even before the Israeli-Palestinian peace accord was signed in September, foreign investors had reason to be sanguine. Although GDP growth slowed last year to 3.5 per cent, mainly as a consequence of reduced house construction, the peace process and the gradual deregulation of the state-dominated economy suggest further expansion over the next two years and officials are forecasting a return to growth rates approaching 6 per cent.

Mr Shimon Peres, Israel's foreign minister, has spoken of a future in which Israel might become the financial and commercial capital of the region. Gas and oil pipelines would criss-cross the area, from Qatar across Saudi Arabia to an export terminal at the Mediterranean port of Ashkelon, for example. Roads and railways through Israel would connect the Middle East to Europe. Israel would slash its 18bn shekel ($6bn) defence budget which consumes 17 per cent of the annual budget in favour of investment in infrastructure and social policies.

But not all Israelis scan the horizon with such optimism. The pessimists say continuing Arab hostility towards Israel will severely limit the extent and the timing of any peace dividends. Trade, they say, will be limited because neighbouring Arab economies are significantly smaller than Israel's, including, for example, Saudi Arabia. Regional infrastructure projects, even if feasible, would take years to be developed. And defence savings are not expected to be big in the short term because of the costs of redeployment and updating military technology to maintain Israel's edge over old foes.

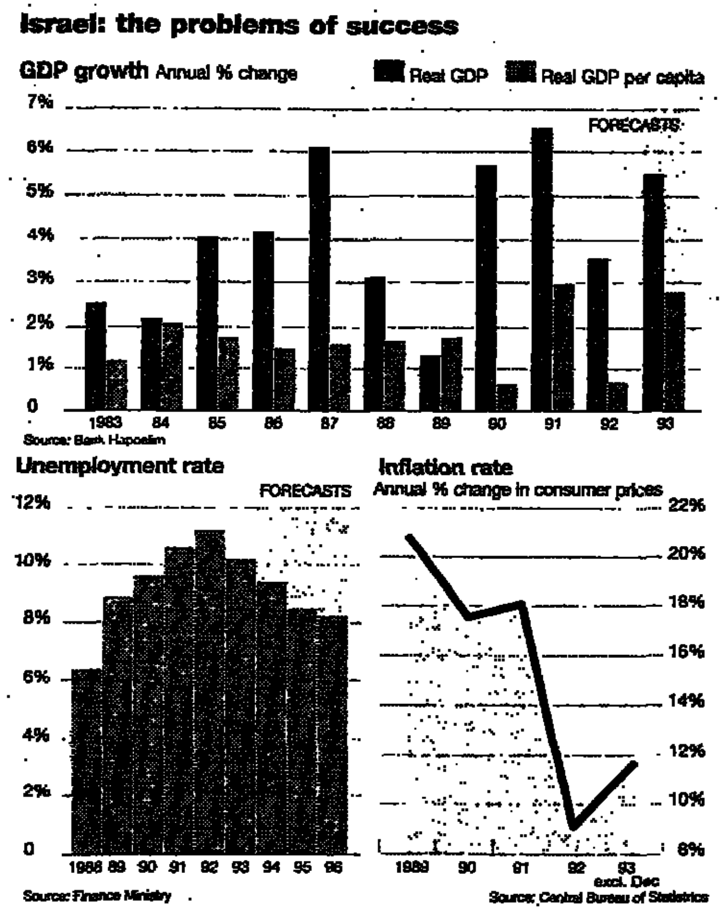
Assuming the peace negotiations make progress, the reality should fall somewhere between these two visions. A recent report by Bank Hapoalim, Israel's leading commercial banking group, said: "Even the most cautious evaluation finds that Israel will reap economic gains from the current peace process; a more optimistic evaluation states that there will be a sharp change in Israel's economic environment, ensuring fast expansion of its economy for the next few years."

The sector most likely to benefit in the immediate future is tourism. The ministry of tourism expects arrivals to double from about 2m last year to 4m by the year 2000. This year Israel is expected to earn more than $2bn from tourism, representing about 25 per cent of foreign exchange receipts from services. Any progress in achieving physically open borders would have a rapid impact on tourism through with the development of regional packages, projects and promotion.

Second, on the trade front, Israeli economists say gains will accrue from an eventual loosening of the Arab boycott against Israel, which has denied Israel direct trade links with Arab states and also discriminated against international companies trading with the Jewish state. Even limited Israeli exports to Arab countries, and developments such as Israel being allowed to import oil and gas from Arab states other than Egypt, would contribute to economic growth by extending markets and reducing the transport costs of hydrocarbons.

Third, an international perception of greater stability in the region would lower Israel's risk rating as an investment centre. Israelis claim that companies which have shied away are now interested in investing and possibly establishing regional headquarters in Tel Aviv.

So will Israel rise to the challenge offered by the peace process and further reduce the traces of state domination of its economy?



There are several reasons for optimism. The hyperinflation and economic instability of the early 1980s appear firmly in the past. An programme of trade liberalisation, financial reforms and privatisation of state-owned companies is being intensified, albeit at a pace that some find too slow. Future growth should still be fuelled by the impact of US loan guarantees worth $2bn a year over five years which were provided to help ease the absorption of half a million skilled Russian immigrants since 1989.

Prime Minister Yitzhak Rabin has placed responsibility for the economy in the hands of committed reformers such as Mr Avraham Shochat, minister of finance, Mr Jacob Frenkel, governor of the Bank of Israel, and Mr Aharon Foegel, finance ministry director-general.

The three are determined to steer the economy firmly towards the market. Until Mr Rabin's election in 1992, growth was stimulated substantially by the goverment's policy of building Jewish settlements in occupied Arab land. That has now changed. Most of last year's 3.5 per cent growth is largely a result of 7 per cent increase in private consumption and a 10 per cent increase in exports in real terms.

"This year marks a significant change in the structure of our economic growth," said Mr Foegel. "This type of growth is much more sustainable in the long run than public sector-driven growth."

Progress is also being made on the macro-economic front. Provisionally the budget deficit is estimated to have been reduced to 3.2 per cent of GDP last year from 4.9 per cent in 1992; unemployment last year decreased to 10.2 per cent from 11.2 per cent in 1992; inflation came down to 11.5 per cent from 12 per cent, still too high for the central bank; and the value of shares sold in privatisations rose to $1.3bn last year, from $450m in 1992.

The government wants to cut the budget deficit to 3 per cent of GDP this year, curb inflation at 8 per cent and bring unemployment down to 9.4 per cent. It also plans to extend its capital market reforms, continue to liberalise foreign exchange policy towards full convertibility of the shekel, speed up privatisation and tackle the rigid labour market.

Privatisation poses the most difficult challenge because of stiff opposition from employees. Mr Foegel, however, says the government intends this year to sell shares in three of the biggest state-owned companies – Bezeq, the telephone company, Israel Chemicals and El Al, the state airline. The sale of controlling stakes in four of Israel's top commercial banks should also be completed by mid-1995.

Opposition to reform is deep-seated, however, and the chances are high of continuing labour unrest over privatisation. The former rightwing Likud government, while theoretically more committed than Labour to the private sector, baulked at a full-blown confrontation with the unions and would be quick to seize on any troubles for Mr Rabin.

Plans to curb government spending could also prompt a backlash in a country with a 45-year history of generous welfare provision, protectionism and fragile coalition politics. Spending cuts would entail a review of Israeli welfare and education programmes and confronting the large social lobby in the Knesset (parliament).

"We are still an excessively regulated and taxed economy," said Mr Danny Gillerman, president of the Israel Chamber of Commerce. "We have to reform Israel in line with the rest of the world, moving from a society of Marx and Engels to a society of Marks and Spencer."

Now that the main external obstacles that made Israel a virtual siege economy are falling away, a real chance exists to create a society of Marks and Spencer. Israel appears to be grasping the nettle and Labour may prove the party which finally led the country to peace with its neighbours. But it has a lot to do before it can claim to have changed its own economic philosophy, and with it the prospective living standards of its people.

Bogus tests and classroom Bedlam

PERSONAL VIEW

So mind-numbing has been the debate in the UK over the national curriculum and its testing arguments, so punch drunk the teachers and government, that all and sundry have rushed to hail Sir Ron Dearing as the great educational peacemaker. But his final report, published on Wednesday ("Education overhaul accepted by Patten", January 6), has produced only the sketch of his proposed peace treaty. In education, success or failure lies in the detail, and the person who paints only with a broad brush will come a cropper.

In two areas Sir Ron has produced sensible suggestions. Teachers have complained endlessly about curriculum overload and over-prescription. The Dearing report proposes to increase the teaching time available for the core subjects of English, maths and science by reducing the compulsory element of all the other subjects. This is also expected to free up about 20 per cent of the timetable for locally chosen options. National tests at ages 7,11,and 14 will also be confined to the core subjects. This is a neat way of reconciling the government's demand for greater concentration on the core with teachers' demands for greater freedom of choice. Whether the timetable arithmetic will work out as Sir Ron envisages is far from clear.

More significant is the proposal that pupils between 14 and 16 should be able to choose between "academic", "vocational" and "occupational" pathways in preparation for the post-16 study. This marks a big retreat from the comprehensive ideal of a "broad" curriculum to 16, tested by a single school-leaving examination (GCSE). Sir Ron acknowledges that children differ in ability and interests, and that making them study for too long the same things in the same way is a recipe for boredom at the top and rebellion at the bottom. Did we really have to go through the whole turbid process to realise what in continental Europe has always been accepted as commonsense?

The report is weakest on methods of testing. Sir Ron's courage failed him, because he has been baffled by the technical arguments. He accepts that the existing 10-level testing scale is hopeless. But instead of advising that it be scrapped he asks for three months to improve it. The 10 levels, he suggests, should run only from ages 5 to 14; there should be fewer attainment targets for each subject; individual statements of attainment might be clustered into "level descriptors".

Until the intellectual weaknesses of the testing system are understood, it will continue to unravel

Until the intellectual weaknesses of the testing system are properly understood, it will continue to unravel, and ministers will always be wondering why. The statutory testing model, based on criterion referencing, implies that judgments about pupils' performances in school subjects are analogous to judgments about athletes' performances in athletic activities. That is, there exist agreed sets of skills for each subject; there are discrete levels of these skills which can be arranged hierarchically and precisely stated; tests can be set which measure accurately the level achieved; and the children build up skills in the order presupposed by the levels.

All or some of these propositions are more or less false for all school subjects, nowhere more than in argument-based subjects, where performance needs to be judged through extended pieces of writing. My own experience on the Schools Examination and Assessment Council convinced me that attempts to set tasks (tests) against the required skills in history and English literature lead to fatuous questions in the papers: questions which do not arise naturally from the material being studied, and which no examiner would dream of setting unless required to by law. Teachers are forced to fit their subject teaching to the requirements of these bogus criteria. Tinkering with a system which is logical, if unworkable, runs the risk of making it illogical, without making it workable.

Sir Ron argues that to try anything else would be a dangerous experiment, and that teachers are entitled to a period of peace. But it is the criterion-referenced system which is the dangerous experiment. It was never needed. There are well-established standardised tests for literacy and numeracy – the foundational skills – as well as conventional examinations for all subjects. And you cannot build stability on Bedlam. The system will collapse because it is intellectually unsound. Why not honestly admit the mistake now, and use your powers of persuasion to win consent for something which will work? This is the challenge Sir Ron has shirked.

Lord Skidelsky

The author is professor of political economy at Warwick University. He resigned from the Schools Examination and Assessment Council in May 1993

OBSERVER

The height of absurdity

■ Scientists and statisticians have really got it in for short people. First US eggheads tell us that members of the taller half of a university class are more likely to find spouses and get well-paid jobs than their shorter colleagues. Then their colleagues inform us that 18 of the last 22 men elected to be US president were taller than their opponents.

British boffins are little kinder. What do we learn but that the average British bishop is 1¼ inches taller than his parsons, while the Medical Research Council tells us that a 5ft tall man is twice as likely to suffer from heart disease as a man 6ft tall.

Now, at an occupational psychology conference this week, another researcher suggests that tall, thin men are more likely to succeed in management. Tuvia Melamed of the University of Central Lancashire says that although tall, fat women had just as good a chance as tall, thin ones, a trim waist was a definite plus for men. He added: "Generally the taller the person, the more successful they are."

New chapter

■ Sounds like Rupert Pennant-Rea – the lanky colonial boy who used to edit The Economist – is starting to shake things up in his new job as deputy governor of the Bank of England.

Not only has he established that the Bank's quarterly inflation report can be prepared without Treasury interference – he is making an even more earth-shattering change to the Bank's quarterly bulletin. In a bid to turn its turgid and technical prose into a showcase for Bank research, contributors are being promised bylines in next month's edition.

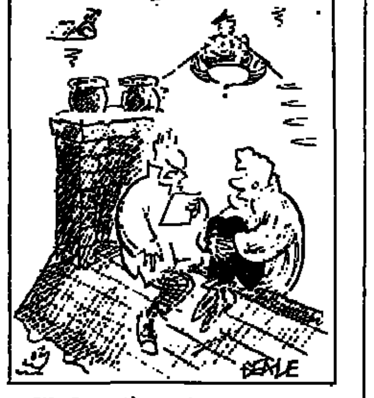
Economist hacks who have laboured on unsigned articles since 1843 may be less than thrilled that Pennant-Rea's new staff have been granted recognition so soon.

Nominally

■ Never mind 1994. What Observer is looking forward to is chewing the fat with the cream of humanity at the World Forum to be staged by the London School of Economics on July 17-21 1995. The topic? "Will human societies ever again be governable?"

Speakers scheduled for the opening sessions include Mikhail Gorbachev, Ronald Reagan and Margaret Thatcher, according to the preliminary programme.

Others awarded slots during the following days include George Soros, Karl Otto Pöhl, Rupert Murdoch, the "head of the KGB", and the Dalai Lama.



'It's from the water company – there's going to be a hosepipe ban this summer'

There is only one snag. None of the listed eminences has yet signed up to attend, the programme admits. Their names are printed just to give an idea of the event's intended scale.

For sheer cheek it deserves to succeed.

Pearly king

■ Coopers & Lybrand has been more than usually munificent with its 1994 calendar, entitled "Solutions for Business". It has sent one to Simon Noble, chairman of Loch Fyne Oysters, in Argyll, even though it addressed him as "Mr S Noble Decd", or deceased. Alive and kicking, Noble wonders how many other clients have been killed off by their accountants.

Far too numerous to mention, perhaps . . .

Penalty point

■ Paraguay's football league championship – now being decided by ballot after alleged skulduggery – is not the first such Latin soccer own-goal.

In 1984 the Brazilian soccer authorities decided on a promotion from a lower division after a similar *bagunço*, or foul-up. The method was to draw numbered balls from a bag. Bangu, a Rio de Janeiro club, won with number nine.

The superstitious inhabitants of Rio – for whom nine is a lucky number – went wild next day, betting heavily on combinations of nines in the illegal but widely played numbers game, where nine was also represented by a snake for the many players who are innumerate.

The *bicheiros*, the bankers of the game, held their breath . . . and nine did not appear in any winning combination. But then bookies and snakes have all the luck . . .

Caveat punter

■ Why are New York ticket agencies now charging Irish world cup soccer fans I£250 for tickets with a face value 10 times less? At yesterday's exchange rates I£250 should fetch some $330; even New York banks don't have such usurious currency exchange charges.

The explanation is entirely appropriate for the land where supply and demand laws reign supreme. The Dublin-based Football Association of Ireland expects to get 8,000 tickets for each of Ireland's three first-round games in June, but some 20,000 fans are likely to flock to the US to watch their team.

By May, I£250 might look ridiculously cheap . . .

Be prepared

■ A word in the ear of young ones who say they don't need an education because they have chosen to enter a life of crime.

A young man in Pittsburgh, Pennsylvania, recently tried to purchase a $200 gold necklace with a stolen credit card.

All was going smoothly until the shop assistant asked him to spell the name on the card.

House colours

■ What would happen if everyone in Britain had been given pink cars for Christmas?

We would be a pink carnation.

FINANCIAL TIMES
Friday January 7 1994

Berlin economics body calls for more investment

DIW warns recession in Germany set to worsen

By Ariane Genillard in Bonn

DIW, the Berlin-based economics institute, yesterday warned that Germany's recession will continue this year despite recent improvements in the economy and urged policymakers to change course and stimulate investment.

"The chances that that situation will be worse this year are greater than those for an improvement," the institute said in its January report. It says demand and investment are set to continue declining in 1994, hampering prospects for a sustainable recovery.

DIW's pessimistic outlook was highlighted this autumn when it broke ranks with Germany's other economic institutes and predicted a 0.5 per cent decline in GDP for this year. The other institutes are forecasting modest GDP growth of 1 per cent in 1994.

Their brighter prognosis was recently bolstered by a pick-up in foreign orders reported by the economics ministry, paving the way for export-led recovery in 1994. Foreign orders, while down in December by 1.5 per cent, rose on a two months basis by 3.5 per cent in October-November.

The economics ministry favours two-month comparisons because they remove the impact of short-term influences.

The ministry expects GDP to continue rising in the fourth quarter of 1993 after it climbed by 0.5 per cent for the two preceding quarters.

But the DIW yesterday warned that such improvements would not be enough to promote stable growth as long as demand and investment remained depressed.

It said GDP rose for three consecutive quarters in the 1981-82 recession before plunging again due to lagging demand.

Private demand, which was hit by increases in petrol taxes and pension contributions at the beginning of the month, is expected to decline by 1.5 per cent this year, according to DIW and the other economics institutes. Over 40 per cent of German companies said in recent polls they did not plan more investment this year.

The institute argues that the government should change to investment stimulation instead of continuing to squeeze public sector spending. Structural cuts in public sector spending – such as those proposed by Bonn to keep the budget deficit under control – should take place as soon as recovery is under way, but not before, it says.

It also calls on the Bundesbank to accelerate the pace of lowering short-term interest rates in order to push investments up, instead of continuing slow and steady downwards moves.

However, despite claims this week that the Bundesbank council has agreed that lower short-term interest rates were needed to ease the effects of recession, it made no changes at its meeting in Frankfurt yesterday. A decision to continue offering securities repurchase, or "repo", deals at a fixed 6 per cent rate for a further two weeks was seen as a way of maintaining calm in money markets.

At its next meeting on January 20, the council will have more key data available on which to base its decisions, including the initial effects on inflation of a round of January 1 tax and duty increases.

Risk from party politics, Page 14

Moscow warns against widening of Nato

By Robert Mauthner in London and Andrew Hill in Brussels

Russia yesterday gave a clear warning to Nato leaders not to offer east European countries and Lithuania membership of the alliance, as this could boost extreme nationalist tendencies in Russia and undermine its reform programme.

President Boris Yeltsin's spokesman, Mr Vyacheslav Kostikov, speaking ahead of Nato's summit in Brussels at the beginning of next week, said that an eastward enlargement of Nato would enrage the Russian military and oblige Moscow to contemplate creating its own politico-military organisation.

"I think that the army would exert strong pressure on the government and the president to respond," Mr Kostikov said. Eastern European countries, such as Poland, Hungary and the Czech Republic and the former Soviet republic of Lithuania, fearful of the consequences of domestic upheavals in Russia and more Yugoslav-style conflicts in Europe, are all looking to the summit for an offer of membership as soon as possible.

Anxious not to make President Yeltsin's task any harder than it already is by boosting Russian nationalism and traditional paranoia about western expansionism, Nato leaders intend to remain vague about offers of membership and to refrain from giving any specific security guarantees.

Instead, they are expected to propose bilateral agreements between the alliance and any former Soviet bloc state which desires them, which would allow close military co-operation, including joint exercises and training for peacekeeping.

"We don't want to give the impression that we're creating another dividing line in Europe," US president Bill Clinton said earlier this week.

This theme was defended yesterday by Vice-President Al Gore who said the US "Partnership for Peace" proposal would bring the countries of eastern Europe into closer association with Nato.

Although many of these countries have complained that the proposal falls short of the promise of eventual Nato membership which they seek, Mr Gore said it represented an "evolutionary process of Nato enlargement."

"It is a step towards adding new members of Nato," he said yesterday.

Under their "Partnership for Peace" plan, Nato leaders will strive to kill two birds with one stone: to include Russia and former Soviet republics such as the Ukraine in the security partnership as well as assuaging the anxieties of anxious eastern European states.

Kohl's men close ranks, Page 2

Le Monde enters the press war

Continued from Page 1

and the surrounding Ile de France area.

The price-cutting tactics of InfoMatin and Aujourd'hui threaten to intensify the fierce competition within the French press where circulation and advertising revenue are already under intense pressure.

France's newspapers and magazines, in common with other sectors, have been badly affected by the recession.

But the general problems facing them have been aggravated by the reform of the system governing the purchase of advertising, implemented by Mr Michel Sapin, the former socialist finance minister.

Mr Sapin's reform, which transferred responsibility for buying advertising from intermediaries such as agencies to advertisers themselves, has triggered a shift in expenditure from newspapers to television, contributing to a reduction in press advertising rates of up to 25 per cent.

Some titles have already come under strain. LVMH, the luxury goods group, last year took over La Tribune Desfossé, the financial daily. Alcatel-Alsthom, the engineering group, bought into Le Point, the weekly news magazine.

L'Humanité, the communist paper, is seeking new capital to try to defuse its financial difficulties.

Lloyd's sees rise in business of 25%

By Richard Lapper

Lloyd's, the London insurance market, expects to be able to increase its business by up to a quarter this year, despite reporting record losses in 1993 and earlier fears of an erosion of its capital base.

The market's capacity – the premiums its underwriting syndicates are allowed to accept – is expected to rise to between £10.5bn and £11bn in 1994, from £8.7bn in 1993.

Of the fresh capacity, £1.6bn will be supplied by new corporate investment trusts. But Names have also increased their commitments. On average, they will underwrite £505,000 each in 1994, compared with £454,000 in 1993.

Provisional figures indicate that 954 of Lloyd's 19,537 Names have resigned and 180 have died over the past 12 months. Only 63 new individual Names will begin underwriting in 1994.

"Our members have been very resilient," said Mr David Rowland, chairman. Lloyd's, which completes its accounts three years in arrears, reported losses of £2.9bn for the 1990 underwriting year, and expects to record another year of losses of more than £1bn when it reports for 1991 in May.

But the market expects to make profits in 1993 and 1994, as a result of steep increases in insurance rates and greater efficiency.

In a separate move, Lloyd's said yesterday it was extending the deadline for acceptance of its £900m settlement offer to 22,921 lossmaking Names by two weeks to February 14.

The delay follows amendments to the original settlement offer which contained arithmetical and other errors.

Mr Rowland said the majority of affected Names will "receive an increased offer" but that many would suffer a reduction. Nearly £20.83m will be redistributed from 10,071 Names to 12,850 other Names.

The offer is designed to settle litigation by more than three dozen groups of Names who are claiming compensation from their agents for billions of pounds of losses. Each Name will receive a "bespoke" offer with compensation varying according to exposure to lossmaking syndicates, membership of Names' action groups and the progress of legal action.

Lloyd's confirmed it was "unlikely" that lossmaking Names who refuse to accept the settlement offer will be able to claim so-called "hardship" relief.

It also emerged yesterday that losses incurred between 1986 and 1991 and faced by some 4,500 Gooda Walker Names increased during 1993 by £94.6m. GW Run-Off, the agency currently managing the syndicates' affairs, said that the losses of syndicates 164, 290, 295, 296, 298 and 299 amounted to £835m at the end of 1993 and could total £1.1bn.

See Lex

THE LEX COLUMN

Dixons' game theory

Perhaps Dixons is unlucky: accident prone might be a more accurate description. No sooner has the group staunched its deep and self-inflicted wound in the US than it falls down a manhole of margin pressure in the UK. The savage price cutting of games over Christmas underlines the tough conditions in electronics retailing. Margins are being squeezed by competition in cheap own-label products and the proliferation of interest-free offers.

That leaves retailers looking for sales growth, but there is little sign of a new electronic fad to catch the popular imagination. A robust revival of the replacement audio, television and white goods markets will require a stronger upturn in the economy. Meanwhile, the opening of Costco warehouse clubs and the move to larger out-of-town stores points towards further competitive pressure.

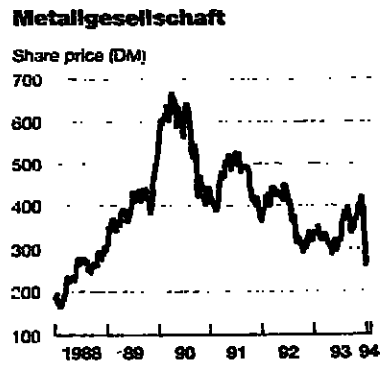
To be fair, not all the problems are Dixons' fault. It is hard to blame the company for failing to sell teenagers a second video game console in 1993 to go with the one they got for Christmas the previous year. More reasonably, the 1992 result can be viewed as a windfall gain. Next year, when the effects of the Silo disaster drop out of the figures, Dixons will be left on little more than a market rating. The tight-knit band of shareholders who have hung on doggedly through thick and thin are presumably hardened to the blows of fate which rain on the company, but since Dixons comprises such a small proportion of the UK stores sector, others may wonder why they should bother with the risks.

Metallgesellschaft

Now that the extent of Metallgesellschaft's problems are emerging, it is clear that bank lenders have little choice but to go along with this week's rescue package. Without it, liquidation would be inevitable, as Mr Kajo Neukirchen, its new chief executive, pointed out yesterday. The revised loss of DM1.87bn for 1992-93 significantly exceeds total shareholders' funds, excluding minorities, reported for the previous year. Worryingly, only half the losses came from oil trading, which the company says could cost another DM1.5bn.

Against this background, it is even more astonishing that, only a month ago, Mr Hilmar Kopper, chief executive of Deutsche Bank, was urging the public to be relaxed about the company. The previous management may

FT-SE Index: 3403.0 (+23.8)



Source: FT Graphite

have withheld information but the supervisory board, on which executives from both Deutsche and Dresdner Bank play a prominent role, also failed spectacularly to oversee the company's affairs.

Smaller outside shareholders will pay a large price. Not only will their interests be seriously diluted by the capital injection from the banks; the company is also now clearly being run in the interests of these same creditors. Metallgesellschaft portrays its restructuring as a fresh start, not least to engender the confidence needed to keep its sounder businesses going. Whether that gives its shares recovery value is another matter. Little has been said about the extent of disposals to pay down debt and finance redundancies. How much will ultimately be left to earn dividends for shareholders is an open question.

French property

As UK investors find it increasingly hard to sink money into their rebounding domestic property market, they must be tempted to buy concrete assets across the Channel. After all, the Paris office market followed London into a nasty slump in capital and rental values. It would now be natural to expect a similar bounce as French rents near their bottom, interest rates subside, and the economy starts to firm.

However, the property recovery in France may prove a lot slower than in the UK. That is partly because the Paris market never fell as far. French financial institutions have helped shore up property values throughout the recession – as demonstrated this week by the rescue of the property bank, Le Comptoir des Entrepreneurs. Yields on prime commercial property have therefore never climbed to heady heights. The 6 per cent yield currently available on prime Paris properties offers less scope for capital gain than once available in the UK.

Rental growth is also likely to be muted. Empty space in the Paris office market amounts to more than 10 per cent of the total stock. High unemployment rates make it unlikely that the surplus space will be quickly absorbed. The shorter length of French leases also makes it easier for occupiers to shop around for cheaper rents while lessening the security of income for owners. Now is the time to buy French property. But real bargains will be hard to find.

Lloyd's

With underwriting capacity of around £10.5bn this year, Lloyd's of London appears – against all odds – to have attracted an adequate supply of capital. Despite heavy losses, individual Names have not deserted the insurance market in anything like the numbers feared. Corporate investors have contributed £1.6bn in capacity, equivalent to an influx of around 3,000 new Names. Far from facing starvation, Lloyd's management must now consider ways of restricting the inflow of funds. If insurance rates start to soften, such measures might be necessary as early as 1996.

Yet rationing the aggregate capacity of Lloyd's would only be a partial solution. New investors would still be attracted to the most profitable lines of business, encouraging syndicates to expand in these areas, often at the wrong point in the insurance cycle. Raising a levy from all new investors, to be varied according to the line of business underwritten, might be the simplest way to proceed. Lloyd's management would then exercise an unprecedented degree of control over the affairs of individual syndicates. In the absence of a mechanism by which capital can be allocated to syndicates on the basis of price, though, central direction is probably better than none.

Still, the greater goal of a secondary market in syndicate participations – and an accompanying price mechanism – should not be abandoned, despite the legal obstacles. If standards of disclosure can be raised across the market, the allocation of capital within Lloyd's would then be more efficient and transparent.

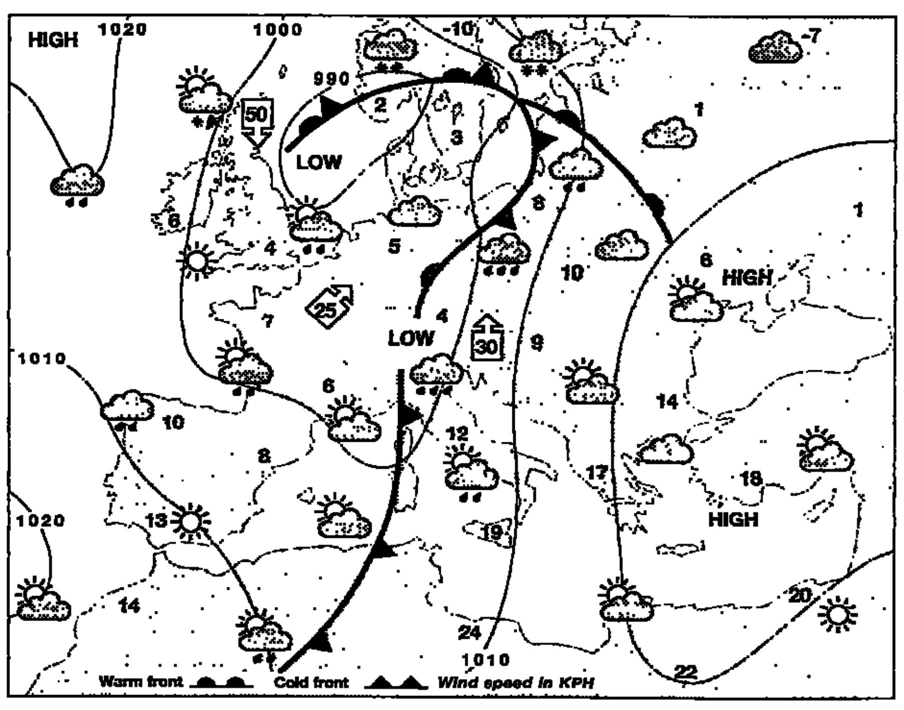
FT WEATHER GUIDE

Europe today

A frontal system over southern Scandinavia will produce snow from Oslo to Stockholm and Helsinki. The southern part of this front will only be active in the Alps and over Italy. Northern Italy could well have some heavy rain, with the Italian Alps seeing significant snowfall. Heavy rain showers will also occur across central Italy and Sardinia. In Western Europe, a moist, cool air mass will generate showers in western France but most areas from England to Spain should stay dry with southern Spain and parts of south-west England becoming sunny. The east and south-east of the continent will be warmest. Sicily, Crete, and Cyprus will have temperatures rising to near 20C.

Five-day forecast

From tomorrow the British Isles will be unsettled with most rain and wind expected on or about Sunday. On the continent, high pressure will prevail, but temperatures will be relatively mild. Snow in the Alps will decrease on the lower slopes. Fog will be persistent over central Europe and in the Balkans. In the south, low pressure over Tunisia and southern Italy will generate showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	27
Accra	sun	31
Algiers	shower	13
Amsterdam	shower	6
Athens	cloudy	17
B. Aires	sun	28
B.ham	fair	3
Bangkok	fair	33
Barcelona	fair	11
Beijing	sun	5
Belfast	fair	5
Belgrade	cloudy	12
Berlin	cloudy	5
Bermuda	sun	24
Bogota	fair	22
Bombay	sun	34
Brussels	fair	5
Budapest	cloudy	9
C.hagen	cloudy	3
Cairo	sun	20
Cape Town	sun	27
Caracas	sun	28
Cardiff	sun	4
Chicago	snow	-5
Cologne	cloudy	6
D' Salaam	cloudy	31
Dakar	sun	26
Dallas	fair	3
Delhi	sun	24
Dubai	sun	28
Dublin	fair	5
Dubrovnik	fair	16
Edinburgh	shower	3
Faro	fair	15
Frankfurt	fair	4
Geneva	cloudy	3
Gibraltar	sun	15
Glasgow	fair	3
Hamburg	cloudy	4
Helsinki	sleet	-2
Hong Kong	sun	23
Honolulu	sun	26
Istanbul	cloudy	12
Jersey	fair	7
Karachi	sun	29
Kuwait	sun	24
L. Angeles	sun	23
Las Palmas	fair	19
Lima	fair	28
Lisbon	fair	12
London	fair	3
Lux.bourg	cloudy	2
Lyon	cloudy	5
Madeira	fair	18
Madrid	fair	8
Majorca	shower	14
Malta	fair	18
Manchester	fair	4
Manila	cloudy	30
Melbourne	rain	18
Mexico City	sun	18
Miami	sun	25
Milan	rain	4
Montreal	fair	-15
Moscow	cloudy	1
Munich	cloudy	5
Nairobi	fair	27
Naples	shower	16
Nassau	sun	28
New York	sleet	4
Nice	rain	12
Nicosia	fair	18
Oslo	snow	-2
Paris	cloudy	6
Perth	sun	31
Prague	cloudy	4
Rangoon	fair	32
Reykjavik	fair	-3
Rio	thund	29
Riyadh	sun	24
Rome	rain	16
S. Frsco	sun	15
Seoul	sun	6
Singapore	fair	30
Stockholm	sleet	2
Strasbourg	cloudy	6
Sydney	fair	30
Tangier	fair	14
Tel Aviv	sun	20
Tokyo	cloudy	10
Toronto	cloudy	-10
Tunis	shower	18
Vancouver	shower	7
Venice	rain	7
Vienna	shower	9
Warsaw	cloudy	10
Washington	rain	8
Wellington	fair	24
Winnipeg	sun	-23
Zurich	cloudy	2

FINANCIAL TIMES

COMPANIES & MARKETS

Friday January 7 1994

IN BRIEF

Hewlett-Packard in software venture

Hewlett-Packard, the US electronics manufacturer, is to take a 15 per cent equity stake in Taligent, a joint venture between International Business Machines and Apple Computer. Taligent is developing advanced computer software for the next generation of personal computers and workstations. Page 19

Ciba-Geigy eyes east
Ciba-Geiby, the Swiss pharmaceutical group, plans to invest more than $10m to enter the Chinese contact lens and solutions market. Mr Chang Chih-hung, general manager of CIBA Vision Taiwan, said the company aimed for more than 25 per cent of the Chinese market. Page 18

Metallgesellschaft banks offer help
The 40 to 50 creditor banks to Metallgesellschaft, the German conglomerate which revealed a DM1.8bn ($1.1bn) group loss last year, appear committed to the rescue. Commerzbank, for example, said: "We will do all we can to help develop a rational concept." Page 18; Lex, Page 16

Bolt from the blue for Rothmans
Last weekend a group of Rothmans' shareholders in Malaysia blocked plans by the British tobacco group for an assault on the Chinese and Japanese cigarette markets. "It was like a bolt out of the blue," said Mr Robert Fletcher, director of public affairs at Rothmans Asia HQ. Page 19

Tap on China's beer
Asahi Breweries and Itochu, the Japanese trading house, plan to tap China's expanding beer market by taking stakes in three eastern Chinese breweries. Page 19

USAir unveils cost-cutting
USAir, the lossmaking carrier, has announced the first phase of a plan to cut operating costs in its domestic short-haul market this summer. Page 19

MAM moves into investment trusts
Mercury Asset Management, the UK's largest fund management group, has agreed in principle to buy the fund management business of River and Mercantile Trust, one of the UK's oldest investment trust companies. The move is part of MAM's effort to diversify its businesses, which are dependent on the UK pension fund market, and expand into services for private investors, such as investment trusts. Page 21

St Ives sells lossmaker
St Ives, the UK printing group, has sold Talbot Publishing Systems, its small lossmaking newspaper systems and software development business which was acquired in July 1990, back to its managing director and founder. Page 21

Reg Vardy rises 97%
Reg Vardy, the UK multi-franchise motor distribution group, reported a 97 per cent increase in first-half pre-tax profits to £3.51m ($5.2m), helped by a £800,000 profit on the sale of surplus land. Page 21

Changes ahead for Cuban farmers
Cuban agriculture could become a significant force on markets including the US if Washington's trade embargo on the Caribbean island were lifted. However, some say it would take Cuba many years to adjust to a global market very different from that which prevailed at the time of the 1959 revolution. Page 22

Hotting up in Taiwan
Taiwan's stock market fluctuated wildly yesterday before closing up slightly at a new 3½ year high. "Everybody knows the overheated market is due for a correction at some point. The question is when," said one analyst. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Douglas	567	+	10	BSN	845	+	17
Porsche	785	+	15	Essilor	729	+	15
Falls				Gaumont	374	+	24
Bayer Vereinsbk	357	−	8	Peugeot	775	+	14
Deutsche Bank	829	−	10.5	**Falls**			
Lahmeyer	720	−	18	Ecco	880	−	13
Springer Axel	813	−	12	Immobanque	991	−	29
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Chrysler	56⅝	+	⅜	Fujikura	811	+	47
Dayton-Hudson	69⅝	+	2¼	Mitsubishi Cable	753	+	24
Dillard	37	+	⅜	NEC	906	+	14
Gap Stores	40½	+	2½	Nomura Secs	1890	+	40
Falls				**Falls**			
Best Buy	42¼	−	5	Matsushita Elec	1530	−	20
Circuit City	17⅞	−	4½	Sony	5790	−	80

New York prices at 12.30.

LONDON (Pence)							
Rises				Dwyer Res	28	+	4
Abbey	480	+	20	Perry Grp	165	+	10
Aspen Comms	168	+	8	VSEL	928	+	33
BBB Design	28	+	6	Willis Corroon	240	+	11
Clinton Cards	160	+	6	**Falls**			
Euro Disney	390	+	22	Anglian Water	549	−	20
Fisons	148	+	7	Selincourt	364	−	32
Freeman Grp	157	+	15	Dixons	240	−	43
Hanson	295	+	18	Fairline Boats	341	−	12
Hillsdown	178	+	11	HSBC (75p shs)	906	−	60
Holiday Chem	172	+	14	Monarch Res	226	−	11
Unigate	171	+	11	Yorks-TyneT TV	178	−	14
Mirror Grp	185	+	13				
NSM	178	+	11				

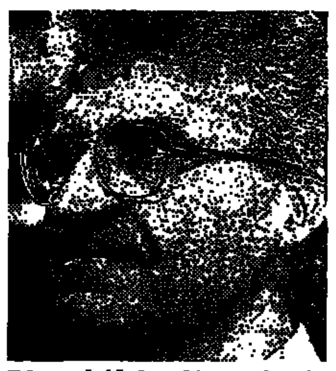
Core investors to have 10% of Elf shares

By John Ridding in Paris

A group of long-term stable investors will hold 10 per cent of the shares in Elf-Aquitaine, the French oil group, following its privatisation, Mr Edmond Alphandéry, the economy minister, has announced.

The privatisation, which will be launched this month, is the largest so far in the government's plan to sell 21 public sector groups. The sale of the majority of the government's 50.8 per cent stake in Elf, France's largest industrial company, is expected to raise up to FFr40bn ($6.8bn).

Mr Alphandéry said 1.5 per cent of Elf's shares would be taken by Union des Assurances de Paris, France's largest insurance group which is already an investor in the oil company. A tender for the other 8.5 per cent of Elf's shares allotted to core investors will be launched this weekend. UAP is expected to be joined in Elf's *"noyau dur"* of stable investors by France's leading financial and industrial groups. These include Banque Nationale de Paris, which launched the privatisation programme last year, AXA, the insurance group, Paribas, the investment bank, and Suez, the financial and industrial holding company.



Edmond Alphandéry: privatisation at a steady pace

Renault, the state-owned carmaker, also slated for privatisation, is another likely investor. Its industrial alliances with Elf include a collaboration in Formula 1 car racing.

The government will retain between 10 per cent and 15 per cent of Elf's shares through Erap, the state holding company. Through a golden share it will have a veto over the sale of some assets, and investors seeking to raise stakes above thresholds of 10, 20 and 33.3 per cent will need approval.

Mr Alphandéry said the privatisation programme, which has already seen the sale of BNP and Rhône-Poulenc, the chemicals and pharmaceuticals group, would continue at a steady pace. Next on the list is UAP.

Nestlé to take control of Polish chocolate factory

By Christopher Bobinski in Warsaw

Nestlé, the food and mineral waters group, yesterday took a step into the east European market when it won effective control of Goplana, Poland's second largest chocolate factory with sales last year worth $64m.

The Nestlé investment, valued at $48m, is Poland's largest joint venture and marks the Swiss group's first large move into manufacturing in the country.

The agreement comes after PepsiCo Foods International bought a majority share in Wedel, the country's largest chocolate manufacturer in 1991.

Goplana and Wedel control more than a quarter of the domestic confectionery market. Wawel, Poland's other main producer based in Krakow, has been privatised through an employee and management buy-out.

Under the deal clinched yesterday in Poznan where Goplana is based, Nestlé will take a 47 per cent share in the joint venture at a cost of $35.9m.

The state Treasury is to hand over the Goplana plant, valued at $35.9m, in return for its 47 per cent share.

The Swiss food group will finance the purchase of the remaining 6 per cent of the equity by the plant's employees.

Nestlé has snatched Goplana away from E. D. and F. Man, the UK commodities broker who had for two years been working with Elite Industries, an Israeli food processor, to win control of the factory.

The E. D. and F. Man offer which had been strongly supported by the 2,400 Goplana employees, was finally rejected by workers' delegates after a campaign last autumn masterminded by Samuel Montagu.

The campaign advertised on local radio and through Nestlé representatives at the factory gates the merits of the Swiss offer.

Under the terms of yesterday's agreement the Treasury will after two years sell shares to Nestlé to bring the Swiss group's holding up to 51 per cent.

Nestlé has agreed to see the remaining equity held by the state then floated on the Warsaw stock exchange.

Dixons' shares fall on profit warning

By Neil Buckley in London

Shares in Dixons, the UK's largest electrical retailer, plunged from 283p to 240p yesterday, after it rushed out a profits warning following disappointing Christmas sales.

Dixons also announced pre-tax losses of £196.7m ($291m) for the 28 weeks to November 13, after exceptional charges of £214m virtually all on the sale of its lossmaking US chain Silo to Fretter, the US electrical retailer.

It brought the announcement forward by six days after receiving figures showing Christmas sales volumes little changed from last year. "We felt we could not allow relatively false trading in the shares for another week," said Mr John Clare, chief executive.

The poor Christmas result was due mainly to a price war in the computer games sector – which had performed spectacularly well in an otherwise lacklustre market the previous Christmas.

Mr Clare said the consequent fall in margins meant retail operating profits were "unlikely to equal last year's level". Analysts downgraded profits forecasts for the full year from about £90m to £75m.

Dixons' first-half performance was more in line with expectations. Stripping out exceptional items, pre-tax profits improved from £14m to £17.3m and turnover from continuing operations increased from £571m to £752.4m.

UK retail sales increased 13 per cent to £642.9m, although operating profits were up only 3 per cent to £19.4m, reflecting pressure on margins from price competition and rising import costs. Sales from existing stores increased 10 per cent in the Currys superstore chain, 2 per cent in Currys high street stores and 1 per cent in Dixons.

The European property business converted a £400,000 loss into a £5.1m profit as sales leapt from £2.7m to £109.5m with the disposal of the Beaulieu office development in Brussels.

Dixons lifted the interim dividend from 1.6p to 1.7p, in spite of incurring a loss per share after exceptionals of 49.2p, compared with 0.9p earnings. Before exceptionals, earnings were 1.8p.

As well as upgrading Mr Clare's position from managing director to chief executive, Dixons announced that Mr Mark Souhami, deputy chairman, would switch from a full-time to a part-time role.

Lex, Page 16;
Game plan, Page 21

John Gapper and Peter Bruce look behind the scenes at J.P. Morgan's controversial involvement with Banesto

Bank's judgment and other people's money

Six days before the Bank of Spain imposed a new management on Banco Español de Crédito (Banesto), it was told of an alternative. An audacious plan had been devised by executives of J.P. Morgan, the US bank, led by Mr Roberto Mendoza, a Morgan vice-chairman. It was a last attempt to save Spain's fourth-biggest bank and its chairman Mr Mario Conde, from a gathering crisis.

The plan involved writing down Pta265bn ($1.87bn) of Banesto's deteriorating assets in a "big bang" that would wipe out more than half its capital of Pta412bn, and leave it $725m short of the central bank's minimum level of capital that banks must hold against assets. Banesto would compensate by issuing more capital and selling half its holding in a Portuguese bank.

Mr Luis Angel Rojo, the Bank of Spain's governor, was not convinced. On December 28, after Banesto's shares had been suspended by the stock exchange commission amid rumours of intervention, he acted. By sacking the board on which both Mr Conde and Mr Mendoza sat, he detonated a controversy which has now raged for a week around both Banesto and Morgan.

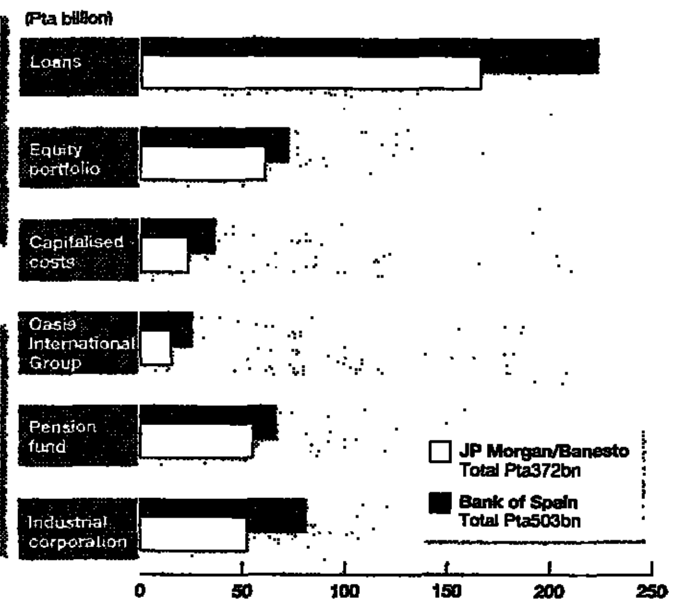
Morgan's involvement with Banesto since 1987 has turned into one of the stiffest tests of its attempt to broaden from its roots as a pure commercial bank by providing a range of services, backed by its own capital, to its corporate clients. The US bank appears to have demonstrated loyalty to one of its clients in the toughest times, but has it shown good judgment?

An even tougher question is whether it acted wisely in backing one of its clients with the capital of others. Morgan both advised Banesto and made it the first investment for its $1.1bn Corsair fund, 90 per cent of which is held by other US investors. When Banesto issued $775m of shares on Morgan's advice last summer, the US bank bought $175m of them through Corsair.

Estimated overvaluation of Banesto assets

Roberto Mendoza
JP Morgan's vice chairman who sat on Banesto's board

Luis Angel Rojo
Governor of the Bank of Spain



Source: Bank of Spain Intervention Document

The Bank of Spain's action raises the possibility that Morgan made two misjudgments in its original assessment of Banesto. First, it may have underestimated the seriousness of the Spanish bank's condition. Second, it may have misjudged the political risk it was running in allying itself with a bank that had a history of poor relations with the central bank.

The fact that Banesto was in a poor financial condition at the time of the intervention last Tuesday is not in itself evidence of a Morgan misjudgment. It was precisely because Banesto was a weak bank and its shares were trading well below the level of other Spanish banks that it represented a chance for Corsair to make strong capital gains as it recovered.

Morgan's original plan for Banesto was straightforward. It intended to raise fresh capital of $1.1bn to restore Banesto's capital ratios to the high level common among Spanish banks. This would allow it to absorb problems with loans that grew over-rapidly between 1988 and 1991. It would gradually sell its holdings in industrial companies, boosting capital further.

Was the risk of a clash with the Bank of Spain unacceptably high?

But by last autumn, it was becoming clear that Banesto's problems were bigger than Morgan had acknowledged. As Bank of Spain inspectors and Morgan's executives dug into Banesto's loans and equity holdings, they discovered an over-valuation of assets – put by the central bank at Pta503bn and by Morgan at Pta372bn. The scale of the problem forced Morgan to rethink.

Morgan's solution reversed a key plank of the original plan. Rather than Banesto trying to absorb losses gradually while sustaining its capital, Morgan decided that it should mimic the US banks which deliberately and aggressively wrote down their less-developed country debt exposures in the late-1980s to restore investor confidence in their earnings potential.

The fact that Morgan switched its plan for Banesto indicates some degree of miscalculation in its first assessment of the bank. Yet Morgan could argue that the miscalculation was not so large that Banesto was inevitably doomed. After all, it had predicted some fall in asset quality throughout 1993 and into the first half of 1994 in last summer's offer document.

Given another management and another central bank, the plan might have been accepted. Even after the write-down, Banesto would have complied with international capital adequacy standards, which are less demanding than the Bank of Spain's. But in practice, this was irrelevant. Banesto was not only supervised in Spain, but had a history of disputes with the central bank.

Should Morgan have rated the risk of a clash with the Bank of Spain to be unacceptably high? There was clearly some risk, given Mr Conde's habit of defying Mr Mariano Rubio, the former governor. Although the central bank has indicated that Banesto may yet be restructured in quite a similar manner to Morgan's plan, it did not trust Mr Conde to implement it.

All is not lost for Morgan, even if it did misjudge the risks. It intends to maintain the Corsair stake in Banesto for five years, by which time Banesto's shares could have achieved the capital gains the US bank originally foresaw. This is a distant hope, given the likelihood that Corsair's holding will be diluted in a restructuring, but it is not impossible.

If Banesto's new management achieves this, Morgan as a shareholder may come to be grateful for the Bank of Spain's actions. At the least, the central bank has already neatly eliminated any potential conflict of interest between Morgan's corporate finance client, Banesto's former management, and its other set of clients, the US investors whose money it placed in Banesto.

The question of whether Morgan can comfortably combine such roles in the future may be the enduring legacy of Banesto for the US bank. As long as it only commits its own capital to clients, the potential for tension is limited. But events in Madrid in the past week show the controversy it can provoke by backing one client with the capital of others.

Unilever tries to cut cost of advertising

By Diane Summers, Marketing Correspondent

Unilever, the Anglo-Dutch food group and the highest spending advertiser in the UK, is switching a substantial proportion of its London TV advertising for 1994, worth in total about £30m ($44m), from Carlton to London Weekend Television in a bid to drive down rates.

Granada Television is also under threat of losing its Unilever advertising, worth about £11m in 1993.

Initiative Media, Unilever's media buying company, would not comment yesterday on the moves, but LWT confirmed it had gained at least some Unilever advertising from Carlton, the weekday broadcaster.

Mr Neil Blackley, an analyst with Goldman Sachs International, said yesterday: "It's swings and roundabouts. You're dealing with a fixed volume media. You lose a certain volume and the price adjusts downwards and you fill it up from somewhere else."

Both Carlton and Granada, the north-west TV company, said yesterday they were still negotiating for the Unilever advertising.

Granada said it was in the middle of what were the "usual healthy negotiations" with a big client. Initiative Media, which is heavily dependent on Unilever business, has a reputation as a tough negotiator.

However, industry observers consider it unlikely that it will want to pull all Unilever advertising from Granada. It is also unlikely that Unilever will want to concentrate all its advertising for products such as Comfort, Persil, Radion and Birds Eye, at the weekend.

Ciba-Geigy in Chinese contact lens investment

By Dennis Engbarth in Taipei

Ciba-Geigy, the Swiss pharmaceutical group, plans to invest over $10m to enter the Chinese contact lens and solutions market. Mr Chang Chih-hung, general manager of Ciba Vision Taiwan, announced the decision in Taipei, which is the site of the conglomerate's north-east Asia regional operating headquarters.

The project, including supply of capital, technology and manager and technician training, will be managed from Taipei.

Ciba Vision's initial investment plans will be divided into three phases.

During the first phase, beginning this year, Ciba will invest $4m to set up Ciba Vision Shanghai for production and sales of contact lens and solutions.

At first, finished lenses will be imported from the US until the Shanghai plant's products are officially introduced into the market in 1995.

During the second stage, an additional $6m will be invested to set up a contact lens care solutions factory in Beijing in co-operation with Ciba-Geigy, its parent company. In 1996, the Beijing facility will come on line. During the third stage, Ciba Vision will set up sales outlets in the main Chinese cities.

Mr Chang said the company aimed to break even within four years and capture over 25 per cent of the mainland Chinese market in contact lens and solutions.

By that time, the group's annual sales should exceed T$200m ($7.5m).

Ciba Vision carried out over 20 market surveys throughout China during the past two years into consumer practices and habits.

Chang cited rising income levels, the liberalisation of the economic structure and the gradual maturation of consumer health concepts and education as important factors why Ciba chose this time to officially enter the Chinese market.

However, user surveys showed that not all mainland Chinese consumers maintain proper care of their lenses, in part because sales representatives were not aware of proper lens care practices.

Superfos agrees to sale of grain division

By Hilary Barnes in Copenhagen

Superfos, one of Denmark's largest conglomerates, signed a letter of intent yesterday to sell its grain and fodder division, which will halve group turnover.

The decision to sell was accompanied by the resignation of Mr Bent le Fevre, the managing director.

The buyer is Dansk Landbrugs Grovvareselskab (DLG), the agricultural co-operative group, which will pay DKr500m ($74.6m) and redeem DKr400m credits owed by the grain and fodder division to the Superfos parent company.

Turnover in Superfos's grain and fodder division in 1992 was Dkr3.7bn to DLG's DKr6.4bn, with market shares of 13 per cent and 23 per cent respectively.

Superfos's grain and fodder division lost DKr64m in the first half of 1993, when there was a group loss of DKr23m.

In the 1980s Superfos was forced to sell its fertilisers businesses, another traditional sector, after the company lost heavily as a result of expanding into that market in the US.

Superfos's main remaining businesses will be road surfacing (in which it has a group of companies operating in the US) and the manufacture of plastic containers.

Portugal rejects bank's bid for BPSM

The Portuguese Cabinet has rejected a bid by Banco Comercial Portugues to buy state-owned Banco Pinto e Sotto Mayor, the government said after yesterday's weekly cabinet meeting, Reuter reports from Lisbon.

BCP was the sole bidder for an 80 per cent stake in BPSM, one of Portugal's largest banks, when it was put up for privatisation last year.

However, the Cabinet statement said: "The jury [which assessed the bid] proposed rejection of the proposal on the grounds that the necessary conditions for it to be accepted had not been met."

Banking sources said BCP offered less than Es14bn ($81.4m) for BPSM, well below the government's minimum asking price of Es44bn.

Spain's Banco Bilbao Vizcaya and Mr Antonio Champalimaud, a Portuguese industrialist who owned BPSM before its nationalisation in 1975, also expressed interested in the bank, but neither presented bids.

Officials said Banco Bilbao Vizcaya was officially discouraged from bidding by the Portuguese government because it did not want to see another leading Portuguese bank pass under Spanish control.

Banking sources said BPSM failed to excite wider interest because it was was heavily over-staffed and under-capitalised and needed to make Es70bn of provisions for its pension fund over the next two years in order meet legal requirements.

The centre-right government's rejection of BCP's bid for BPSM was widely expected. Mr Anibal Cavaco Silva, the prime minister, must decide whether to launch a public competition for the sale of BPSM or sell it off through direct negotiations.

***The bank's net profit fell to* Es1.03bn in 1992 from Es2.07bn in 1991, but banking sources said it was expected to improve in 1993.**

BPSM is one of several banks nationalised after Portugal's 1974 revolution being returned to private ownership.

Mission begins to salvage rump from wreck

Metallgesellschaft's financial plight could have been worse, writes **Christopher Parkes**

"It was a little bit like waking up after a car crash and finding you could still move your arms and legs."

A Frankfurt-based banker, recovering yesterday from shock revelations from Metallgesellschaft of a DM1.8bn ($1.1bn) group loss last year and a call for a DM3.2bn transfusion into new equity and credit lines, had checked the damage and found it could have been far worse.

Others echoed his diagnosis. "All in all they came up with good proposals. No-one liked them, but they mean that no bank will take a hit," commented another participant at Wednesday's meeting with the new management of the debt-ridden metals, mining and engineering group.

By yesterday morning, the positive response the group claimed to have detected the previous evening at its meeting with 40 to 50 creditor banks, appeared to be developing into a general commitment – part-resigned, part-enthusiastic – to join the rescue. In spite of some cloudy language, there was no mistaking the tendency at Commerzbank, for example, which is owed some DM200m. "We will do all we can to help develop a rational concept," officials said.

However, other creditors, such as Crédit Lyonnais (with loans to the group of almost DM250m) refused any comment on their attitude. The French bank is the third biggest creditor behind Deutsche Bank and the Bayerische Landesbank.

Although the result of the appeal will not be known until next Wednesday, when the banks' responses are due in, Mr Kajo Neukirchen, the new group chairman, appeared yesterday to have a good chance of winning the financial foundations necessary to underpin the reconstruction of Germany's 14th largest corporation.

"If the proposals are accepted I feel the company can pay off its debts and generate profits. I have no idea how long it will take. But those banks which do not join in will be making a mistake," said one participant. "The question we have to ask ourselves is: is the company so far gone that it is not possible to save it? Bankers are not stupid, no matter what some might say."

The consensus appeared to be that the financial community's need to be convinced of the possibility of salvaging a viable rump from the wreckage, had been fulfilled. Lenders had been convinced at the meeting that its crisis had been brought on by a one-off case of over-speculation in oil which had gone badly wrong. The previous management had mis-reported the facts to its supervisory board, but that had been corrected, one banker said.

Deutsche Bank and Dresdner Bank, large shareholders and house banks to the group, had "stitched up a deal in their own best interests", but that was only to be expected. The alternative to a rescue package, as Mr Neukirchen said on television yesterday, was insolvency.

The alternative to early signs of commitment from the banking community, as one observer said, would be a loss of confidence in core operations in plant construction and environmental engineering which rely heavily in international contracts, often government funded.

Although the group has said all creditors are required to help, there was little concern in Frankfurt that withdrawals by faint-hearted peripheral lenders would bring the whole deal down.

"Deutsche and Dresdner will do everything to make this work. I am sure they will take up the slack if there is any," said one German bank official.

If that proves to be the case and the financial supports are put in place, Mr Neukirchen, credited with saving engineers *Klöckner-Humboldt-Deutz* and FAG Kugelfischer, can set to work on rebuilding the corporation.

He had a list of potential disposals, he said yesterday, mentioning a Canadian mining company and vehicle components.

Bankers suggested the oil *business and smelting as other* candidates, but remarked that businesses named as sell-off candidates at Wednesday's meeting were relatively few in number and would probably have been earmarked for sale even if the oil markets disaster had not happened.

"The main thing is that his record suggests he'll manage this affair in good order, which is what we all need at the moment," one said.

Director quits Czech airline

By Patrick Blum in Vienna

Mr Georges Veydovsky has resigned as general director of CSA, the Czech national airline in which Air France, the Caisse des Dépots and the European Bank for Reconstruction and Development (EBRD) have equal share in a 40 per cent stake, the Czech news agency reported yesterday.

It said the resignation was accepted, though CSA or Air France would not comment on the report last night.

Mr Jan Strasky, Czech transport minister, was also reported to have confirmed the government would provide guarantees on $8.5m of payments for aircraft leases due by mid-January.

Mr Veydovsky, who was Air France representative on the CSA management board, is said to have offered his resignation at a shareholders' meeting in Prague yesterday. The meeting was called to discuss restructuring plans for the troubled Czech airline, which is expected to post losses of up to Kcs1.2bn ($41m) for 1993.

Management board changes had been expected following the appointment of Mr Antonin Jakubse as CSA president last month. He replaced Mr Jiri Fiker. Mr Fiker was asked to resign by the Czech government, which still holds 49 per cent of CSA's shares through the National Property Fund, an institution established to oversee privatisations.

Mr Jakubse's appointment was one of several decisions taken at a shareholders' meeting specially convened before Christmas to discuss CSA's worsening financial position, and claims by Air France and the EBRD that the company was overvalued when they bought their stakes in 1992.

Akzo reiterates earnings forecast

Mr Aarnout Loudon, the chairman of Akzo, repeated an earlier forecast that fourth-quarter 1993 *earnings from* ordinary operations would exceed the Fl 127m ($67m) of the same 1992 period, Reuter reports from Arnhem.

"During the presentation of our results for the third quarter we expressed the expectation that net income before extraordinary items for the fourth quarter would also exceed the 1992 level," Mr Loudon *told Akzo employees.*

"Even though the December figures are not yet available, we are confident that this will be realised."

In the third quarter of 1993 Akzo made a net profit before extraordinary items of Fl 169m, compared with Fl 127m in the third quarter of 1992.

This brought net profit before extraordinary items for *the first nine months* of 1993 to Fl 520m, compared with Fl 585 m in the first nine months of 1992.

Full-year 1992 net profit before extraordinary items was Fl 712m. Full-year 1992 net profit after extraordinary items was Fl 646m.

Valeo expects 3% fall in sales to FFr20bn

Valeo, the French car parts company, expects consolidated 1993 sales to be down 3 per cent to FFr20bn ($3.4bn) from FFr20.6bn in 1992.

The company said European sales dropped by 10 per cent but rose 39 per cent in North and South America and 21 per cent in Asia. Those markets account for 22 per cent of Valeo's 1993 business, compared with 16 per cent in 1992, agencies report.

● **Schindler Holding**, the Swiss lift and rolling-stock maker, confirmed a profit forecast in a local newspaper although the forecast was not specifically stated by the company's chief executive, Reuter reports from Ebikon.

The company said Mr Alfred Schindler, the chief executive, had not told the newspaper that the 1993 group net profit would be at least 30 per cent higher than in 1992, nor that the 1993 net profit would be around SFr145m ($97m).

The forecast of a profit rise of at least 30 per cent was "a confirmed interpretation of earlier company statements about a significant profit rise," the company said.

● **Bénéteau**, the French pleasure boat company, fell further into the red in its last financial year to August 31 when it made a net loss of FFr20.7m ($3.5m), against a deficit of FFr4.6m in the previous year.

The company, controlled by the Bénéteau family, has been badly affected by the European economic recession on the pleasure boat market.

Last year marked the third consecutive year of losses for Bénéteau which, *in spite of its* financial difficulties, is still one of the best known names in its industry and is the market leader for pleasure boats in Europe.

The year also marked a serious setback for Bénéteau's recovery hopes.

The company fell into the red in 1990-91 but managed to reduce its losses in 1991-92. However, last year's problems took its losses back to the 1990-91 level.Turnover slipped to FFr673.5m in the year to September from FFr665.5m previously.

INTERNATIONAL COMPANIES AND FINANCE

Hewlett-Packard to take stake in software venture

By Alan Cane

Hewlett-Packard, a leading US electronics manufacturer, is to take a 15 per cent equity stake in Taligent, a joint venture between International Business Machines and Apple Computer. The value of the deal will not be revealed.

Taligent, formed in March, 1992, is developing advanced computer software which IBM and Apple hope will be used to operate the next generation of personal computers and workstations.

More than 90 per cent of personal computers now use operating systems developed by Microsoft of the US, the world's largest software house.

The involvement of HP, which unlike IBM has successfully maintained profitability throughout the recession, gives fresh weight and credibility to the Taligent venture.

Mr Bernard Guidon, HP's computer systems director for Europe, said yesterday the company would work with Taligent to develop its "object-oriented" technology.

Object technology – in which programs are constructed from re-usable software components – is seen as an important solution for large companies developing new business software and replacing older, obsolete, programs.

Mr Guidon said HP would run Taligent's software on its own computers and would supply Taligent with its distributed computing technology. Distributed computing expertise is essential for companies attempting to build enterprise-wide networks.

He discounted the argument that Taligent was aimed directly at Microsoft, saying the software house was no longer the competitive threat it had been.

The computer industry had been disappointed by the performance of "Windows-NT", Microsoft's own next-generation operating software, he said.

A greater threat was Next Corporation's "Nextstep" software, but HP had already concluded an agreement with Next and would be able to offer customers either Nextstep or Taligent software.

● Microsoft and Apple said yesterday that they had agreed to develop software which would enable their customers to share information and messaging services across networks which use both Microsoft and Apple operating systems.

USAir in drive to cut costs on short hauls

By Richard Tomkins in New York

USAir, the lossmaking carrier in which British Airways holds a minority stake, yesterday announced the first phase of a plan to cut operating costs in its domestic short-haul market this summer.

It is to improve productivity and make better use of its assets by heavily reducing the amount of time its aircraft spend on the ground between flights, initially on 18 routes between US city pairs.

Turnround times will be cut from the current average of about 45 minutes to about 25 minutes through a number of efficiency improvements: for example, getting cleaners on to the aircraft while passengers are still disembarking, and tightening check-in procedures to make sure flights leave on time.

USAir said the changes would allow it to raise the number of departures per aircraft from 6.9 a day to 8.4 on the 18 selected routes, increasing total daily departures from 152 to 184. The aim, it said, was to increase passenger numbers without increasing staff or other costs. It is not planning an accompanying cut in fares.

The airline's move comes as large US carriers face increasing competitive pressure from small airlines which have seized market share by offering low-cost, no-frills services on short-haul US routes.

USAir turned in net losses of $178m in last year's third quarter, the worst result of any of the big larger US carriers, the rest of which reported profits.

Rothmans' Asian plans go up in smoke

The UK tobacco group's expansion strategy has been scuppered, writes Kieran Cooke

A few cigarettes are being anxiously smoked in the boardroom of Rothmans these days.

Last weekend a group of shareholders in Malaysia blocked ambitious plans by the British tobacco group for an assault on the Chinese and Japanese cigarette markets.

The move, which is being closely watched by companies considering a regional structure for their Asian operations, was unexpected.

"It was like a bolt out of the blue," says Mr Robert Fletcher, director of public affairs at Rothmans Asia headquarters in Hong Kong. "Now we have to go back to the drawing board and consider what other options are open to us."

From a corporate point of view, the strategy behind a grand Asia plan unveiled last February seemed clear enough.

Rothmans, like other tobacco companies, was facing stagnant or declining sales in most western markets.

Increased access to the market in China, where some 1,700bn cigarettes – or about a third of total global consumption – are puffed each year, is considered vital to corporate profitability.

Cigarette consumption in China is going up by about 4 per cent each year, and increasing affluence is lifting demand for foreign brands. Nevertheless, sales by overseas companies run at only about 10bn cigarettes per year.

Japan and South Korea are other big markets where Rothmans wants to increase sales.

The penetration of such markets demands a high level of marketing and distribution expenditure.

The Rothmans plan called for the merger of Rothmans' locally-quoted units in Malaysia and Singapore with the conglomerate's north-east Asia operations.

The new company, to be quoted in Hong Kong, Kuala Lumpur and Singapore, would be 50 per cent-owned by Rothmans International, with the rest split between shareholders in Malaysia and Singapore.

The merged company would have the necessary financial muscle and marketing expertise to make an all-out assault on the China and Japan markets. Manufacturing capacity at factories in Malaysia and Singapore would complement operations at a joint venture concern recently set up in China. Everyone, said Rothmans, would benefit in the long term.

Rothmans Singapore gave its full backing to the merger plan, but Rothmans (Malaysia) was the key to the whole enterprise.

While Rothmans operations in north-east Asia continue to lose money, mainly because of high marketing expenditures, the Malaysian operation is the jewel in the Rothmans Asia crown.

Pre-tax profits in the year to March 31 1993 at Rothmans (Malaysia) were M$347.7m (US$139m), and pre-tax profits for the six months to September 1993 M$191m. The Malaysian company is also said to be sitting on cash reserves of more than M$700m.

Although Rothmans International has a 50 per cent stake in Rothmans (Malaysia), it refrained from exercising voting rights on the merger plan.

More than 90 per cent of the remaining stock in the Malaysian company is controlled by Permodalan Nasional (PNB), a government investment company, and Lebaga Tabung Angkatan Tentera, the armed forces pension fund. Both voted against the merger, saying the plan would have shifted investment out of Malaysia.

"We decided that the best thing to do was to reject the move, and it's now up to Rothmans to come up with a deal that will benefit us," said Mr Abdul Khalid Ibrahim, chief executive of PNB.

As part of a strategy to give the majority Malay community a greater share of national wealth, the Malaysian government insists that at least 30 per cent of shares in listed companies be held by Malays. The merger was also rejected because it would have diluted Malaysian control over local operations.

Although Rothmans admits its original plan is dead, it says it still wants to proceed with some sort of merger. One possible option is a merger including the Singapore company but excluding the Malaysian operation. Everything, however, is still very much up in the air.

Opinion in Malaysia is sharply divided about recent events. While some feel that Rothmans (Malaysia) has struck a blow for local interests against a foreign multinational, others are not so happy.

Shareholders in Rothmans (Malaysia) have watched the value of their holdings dive: one day earlier this week Rothmans (Malaysia) shares lost nearly $5 on the Kuala Lumpur exchange.

While Rothmans in Singapore has the licence to sell its cigarettes in Indo-China and elsewhere in Asia (it has recently set up a joint venture in Burma), Rothmans (Malaysia) is limited to the home market.

Analysts say Rothmans (Malaysia) growth is uncertain in what is a mature domestic market. Government restrictions on tobacco advertising and campaigns against smoking could further affect profits.

"Short-term nationalist interests have won out over longer-term regional objectives," said one industry analyst. "In the long term, China is the market to be in.

"Now Rothmans (Malaysia) has more or less closed itself off from any regional expansion. In the process it has also brought into question the future of Rothmans operations in east Asia."

Malaysia publisher steady

The New Straits Times Press, Malaysia's largest newspaper and publishing group, announced pre-tax profits for the year ended August 31 1993 of M$92.2m ($35.5m), a marginal increase on the previous year's M$92m, writes Kieran Cooke in Kuala Lumpur.

Group turnover improved 11 per cent to M$422.6m.

The company said higher taxation costs and depreciation on capital expenditure from new printing facilities kept the increase small.

Japanese groups buy into China breweries

By Robert Thomson in Tokyo

Asahi Breweries and Itochu, the Japanese trading house, are to take stakes in three eastern Chinese breweries. Their plan is to tap the country's rapidly expanding beer market.

The two companies will pay an estimated $35m for a combined 75 per cent share in CSI Brewery, established by the Hong Kong-based China Strategic Investment Limited.

CSI Brewery has a 55 per cent stake in Hangzhou Zhongce Beer, a 60 per cent stake in Quanzhou CSI Beer, and a 55 per cent stake in Jiaxing, a brewery linked to Hangzhou Zhongce.

Asahi intends to transfer technology to the three Chinese companies to develop their homegrown brands. It also wants to produce its best-known Japanese beer, Super Dry, in China, believing economic growth will stimulate demand for quality brews.

The two Japanese companies said although China was the third-largest beer market, per-capita annual consumption was only 7 litres, compared with 53 litres in Japan. They thought the eastern Chinese market appeared to be the most lucrative.

However, Suntory, another Japanese brewer, was attracted by similar statistics in 1984, when it began a joint venture in the eastern port city of Lianyungang.

After a decade of fine tuning and management changes at the Chinese partner, Suntory has began to profit from the venture. Sales, however, are concentrated in the area around the brewery.

GM to form components operation in China

General Motors is forming a joint venture to manufacture and sell automotive engine management systems in China, Reuters reports from Detroit.

Initial investment in the venture, with Beijing Wan Yuan Industry and the Beijing Economic Technology Investment Development, will be $30m, GM said.

Total investment could reach $120m during subsequent phases of the venture, it said.

GM will hold a 51 per cent stake in the venture. Wan Yuan will have 39 per cent, and Beijing Economic Technology Investment Development, 10 per cent.

Wan Yuan is a subsidiary of the China Aerospace, responsible for developing, manufacturing and testing launch vehicles for space satellites. Beijing Economic Technology Investment Development is controlled by the Beijing municipal government.

At a preview of the North American International Auto show, Mr J. T. Battenberg, GM vice-president and group executive in charge of GM's automotive components group, said the venture would "foster China's emerging vehicle market".

He said Chinese engineers and technicians would be trained to calibrate engines in the US, Europe and elsewhere.

US broker and bank resolve fund dispute

By Patrick Harverson in New York

Smith Barney Shearson, the Wall Street brokerage house, and Mellon Bank, the US banking group, have ended their row over who should administer mutual funds from the old Shearson Lehman firm. They reached a settlement that will allow the two companies to share the administration of the disputed funds.

The agreement concludes a four-month feud between the two companies.

Last month, Mellon had secured an injunction preventing Smith Barney Shearson from diverting its mutual fund administration business away from the Boston Company, the money management operation which Mellon bought from Shearson for $1.45bn in 1992.

The injunction followed a lawsuit Mellon had filed contending that Smith Barney Shearson had broken an agreement drawn up when Shearson merged with Smith Barney in March 1993.

Under the terms of that pact, the Boston Company was to administer Shearson's mutual funds, as had been agreed when the firm was sold to Mellon the year before.

Under the settlement, however, Smith Barney Shearson agreed to pass on some of the administrative business for its funds to the Boston Company. The two sides said the agreement would last until May 2000.

● Procter & Gamble of the US has acquired an additional 13 per cent stake in the cleaning products maker Compañia Quimica, a week after buying 74 per cent of the Argentine company, Reuter reports.

No price or further details of the transaction were given.

INTERNATIONAL CAPITAL MARKETS

Jobs data help Treasuries rebound

By Frank McGurty in New York and Conner Middelmann in London

US Treasury bonds rebounded yesterday morning after Mr Robert Reich, labor secretary, said tomorrow's employment data would show fewer jobs had been created in December than the market had feared.

By midday, the benchmark 30-year government bond was $\frac{13}{32}$ ahead at $98\frac{7}{16}$, with the yield slipping to 6.363 per cent. At the short end, the two-year note was $\frac{1}{32}$ higher at 100, to yield 4.233 per cent.

Mr Reich said he expected non-farm payrolls to have risen last month by 160,000 to 200,000, below the consensus forecast of 225,000. His remarks eased the market's concern over the pace of economic acceleration, although the effect was undermined when Mr Reich added that he had not seen the report.

In another development, the Labor Department said initial claims for unemployment benefit had increased by 70,000 in the last week of 1993, after a 39,000 decline in the previous week. Although the data were distorted by seasonal factors, the market interpreted the increase as a sign that recent anxiety over inflation may have been premature.

■ The recent sell-off in Europe's bond markets came to a halt yesterday, helped by the firmer tone in US Treasuries. Trading was thin, however, with markets in Spain, Italy, Sweden, Finland, Austria and parts of Germany closed for the Epiphany holiday.

GOVERNMENT BONDS

The Bundesbank's decision to leave its key interest rates unchanged caused the German yield curve to flatten slightly as market participants trimmed their hopes for a cut in interest rates soon.

At its first meeting this year, the central bank council held its discount rate at 5.75 per cent and its Lombard rate at 6.75 per cent, and announced another two rounds of securities repurchase agreements at a fixed rate of 6 per cent. This continues a policy begun on December 2, when the bank set a five-week series of 6 per cent repos.

The long end of the bund market firmed as traders covered speculative short positions while medium maturities weakened slightly. The March bund futures contract ended at 100.79, down 0.05 point.

■ The strength of their currencies against the D-Mark enabled the Belgian and Dutch central banks to cut their interest rates, giving a slight lift to both countries' bond markets.

Belgium lowered its key central rate by 15 basis points to 7.10 per cent, and cut its overnight and emergency lending rates by 25 basis points to 8.70 per cent and 11.25 per cent, respectively.

The Netherlands cut its special advances rate by 10 basis points to 5.5 per cent and its secured advances rate by 25 basis points to 5.25 per cent.

■ French government bonds ended the day slightly lower after the market digested a total of FFr20.24bn in new long-dated bonds. The FFr15.67bn of 5.5 per cent 10-year OAT's met with more investor demand than the FFr4.57bn of 8.5 per cent 30-year bonds, traders said.

The March notional futures contract on Matif ended at 130.32, down 0.06.

■ UK gilts ended a quiet day little changed, with the yield curve flattening slightly after the Bundesbank left rates unchanged. Flows were thin, with investors reluctant to take fresh positions ahead of a raft of data due to be released from next week. The March long gilt futures contract rose $\frac{1}{32}$ to $118\frac{13}{32}$.

■ Japanese government bonds had a strong day, boosted by the successful auction of Y1,000bn 3.4 per cent 10-year bonds and a short-squeeze in the futures pits. The March JGB futures contract rose 0.48 point at 117.68.

AT&T leads Eurodollar activity

By Sara Webb

The Eurodollar sector saw plenty of activity yesterday, with new issues from American Telephone & Telegraph and the Canadian Wheat Board.

At the same time, market participants were also anxious to see how Abbey National's previously-announced $1bn three-year deal performed after it broke syndicate yesterday morning.

AT&T launched a $400m, five-year deal which was priced to yield 25 basis points over the relevant US Treasury bond.

CS First Boston, the lead manager, said that the deal had met good demand, adding that retail interest should be strong given the familiarity of the AT&T name.

"AT&T doesn't trade on its credit rating [which is AA3/AA] but on its name," said one syndicate official.

The rally in the US Treasury bond market yesterday helped to support the issue.

By mid-afternoon the bonds were trading at 99.80-99.85, up from the re-offer price of 99.595 and maintaining their yield spread over the US Treasury bond.

Among the other Eurodollar issues, Abbey National's large, three-year deal broke syndicate yesterday.

The spread over the US Treasury bond widened to 34½ basis points from 32 basis points, according to one of the lead managers.

Other syndicates said that they had quoted slightly wider spreads and argued that there was insufficient demand for such a big deal.

INTERNATIONAL BONDS

With the abolition of the "three-month lock-up rule" for sovereign Euroyen issues at the start of this year, the international bond market has seen a surge of activity in the Euroyen sector this week.

Yesterday saw the launch of a 15-year Euroyen issue for Republic of Austria, which is a triple-A rated borrower.

Goldman Sachs, one of the joint bookrunners, said that by tapping this maturity, Austria had launched a "pioneering deal", given the absence of such long-dated non-JGB issues.

Syndicate officials said that the deal had met good demand from both Europe and Japan.

Investors were said to be looking for appreciation of the yen and the prospect of a further rally in the Japanese bond market, in view of the weak state of the Japanese economy and the need for a further cut in interest rates.

The bonds were priced to yield 65 basis points over the 10-year JGB, giving an annual yield of 3.82 per cent. However, by late afternoon the price had fallen to 99.02-99.07 from 99.21 at issue.

In the sterling floating rate sector, Ford Credit Europe launched its second issue - a £100m deal with a five-year maturity and a coupon of three-month London interbank offered rate plus 25 basis points.

Syndicate officials predict that investors will start to move more aggressively into sterling floating rate issues as the potential for further cuts in the UK base rate appears to lessen.

Mr Simon Best of Baring Brothers, lead manager for the issue, believes that the sterling floating rate area will prove interesting this year for two reasons: about £1.7bn of building society paper is due to reach maturity in 1994, and there is a lot of paper with a 5 per cent floor that is at risk of being called.

The Ford Credit Europe deal provides investors with a pick-up in yield of between five and seven basis points over building society paper of a comparable maturity and credit rating, according to Baring Brothers.

● Hydro-Quebec, one of Canada's two biggest electric power utilities, plans a C$1bn global public offering of 10-year bonds to be distributed in Canada, the US, Europe and Asia by an international underwriting group, writes Robert Gibbens in Montreal.

The paper will be guaranteed by the Province of Quebec and registered with the US Securities and Exchange Commission. Merrill Lynch and ScotiaMcLeod will be joint managers of the issue, with Levesque Beaubien Geoffrion, Wood Gundy and Yamaichi International (Europe) as co-leads.

Terms for the issue are expected to be set by January 15, depending on market conditions.

Nearly half of the issue is expected to be sold in Canada. The utility's net new debt issues this year will total around C$3.25bn.

● Calex, a Slovak state-owned producer of refrigerators and freezers, has launched a $21m, three-year issue, marking the first time that a Slovak company has issued a corporate bond in the international market, Sara Webb adds.

The bonds, which have a coupon of 7¾ per cent, were priced to yield 325 basis points over the three-year US Treasury bond.

Nomura, which lead managed the deal, said that the proceeds would be used to complete the financing of a new production line for ozone-friendly compressors and insulation equipment.

The bonds are guaranteed by the government.

New issue activity in UK shows big increase

By Sara Webb

New issue activity in the UK increased dramatically last year, with a total of £19.63bn raised, up 78 per cent on the 1992 total of £11.03bn, according to figures compiled by IFR Securities Data.

Last year saw a big rise in the number and volume of rights issues in the UK, with Zeneca, the bioscience group which was demerged from Imperial Chemical Industries at the beginning of June, responsible for the largest cash call of £1.35bn.

Some £11.56bn was raised from rights issues last year, compared with £3.75bn the previous year, and rights issues accounted for 59 per cent of all new issues in 1993.

Apart from Zeneca, other substantial cash calls came from British Airways, which raised £454.4m; Commercial Union (£438m); Scottish & Newcastle (£416m); and Royal Insurance (£413.5m).

S.G. Warburg maintained its position at the top of the UK underwriting league table, helped by its lead role in the Zeneca issue.

According to IFR Securities Data, S.G. Warburg's underwriting activity encompassed 60 issues totalling £3.17bn, and included substantial deals by MB Caradon (£347m), Siebe (£188.5m) and Burton Group (£168m).

Morgan Grenfell climbed from 10th to second position last year, helped by its role in the cash calls from Scottish & Newcastle, Asda, Bowater, and MEPC.

"1994 has a tough act to follow. However, with continued low levels of inflation and interest rates, the underlying indicators are that it could be another prosperous year for new issues," says IFR Securities Data.

TOP UK DOMESTIC NEW ISSUES UNDERWRITERS

	1993				1992			
Manager	£bn	Rank	%	Issues	£bn	Rank	%	Issues
SG Warburg	3.173	1	16.2	60	1.541	1	14.0	26
Morgan Grenfell	1.842	2	9.4	19	0.446	10	4.0	8
BZW	1.514	3	7.7	33	1.005	2	9.1	17
Lazard Brothers	1.370	4	7.0	17	0.212	15	1.9	8
S.Montagu/J.Capel	1.255	5	6.4	39	0.665	7	6.0	18
Kleinwort Benson	1.107	6	5.6	23	0.286	13	2.6	16
Schroders	1.031	7	5.3	21	0.722	6	6.5	16
NM Rothschild	1.026	8	5.2	17	0.376	12	3.4	10
Robert Fleming	0.915	9	4.7	23	0.762	5	6.9	11
NatWest Markets	0.881	10	4.5	23	0.520	9	4.7	20
Totals	19.630		100	607	11.032		100	346

Source: IFR Securities Data

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
American Teleph. & Telegraph	400	5.50	99.595R	Feb.1999	0.30R	+25 (5¼%-98)	CS First Boston
Canadian Wheat Board	250	4.75	99.92R	Feb.1997	0.1875R	+12½(4¾%-96)	UBS
American Express Bank‡	200	(a)	99.75R	Feb.2004	0.50R	-	Lehman Brothers Intl.
D-MARKS							
BHF Finance (Neths)	200	6.00	100.00	Feb.2004	undiscl.	-	BHF-Bank
Deutsche Bau-und Boden Bank‡	100	(b)	101.30	Feb.2004	1.70	-	DG Bank
Europaeische Hypothekenbank	100	5.125	101.20	Feb.1999	1.20	-	Frankfurter Hypothekenbank
YEN							
Republic of Austria	60bn	3.75	99.21R	Feb.2009	0.375R	+65 (4½%-03)	Goldman Sachs/IBJ Intl.
STERLING							
Ford Credit Europe(c)‡	100	(c)	99.85R	Feb.1999	0.225R	-	Baring Brothers
Euro.Coal & Steel Community	50	6.875	99.718R	Jan.2019	undiscl.	+23 (8¾%-17)	Barclays de Zoete Wedd
AUSTRALIAN DOLLARS							
State Bank of New South Wales	250	7.00	101.375	Feb.2004	2.125	-	Deutsche Bank London
LUXEMBOURG FRANCS							
European Investment Bank	2bn	6.00	102.50	Feb.1997	1.25	-	BIL

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon: 6-mth Libor +0.1%; min 5%. b) Coupon: 5.6% fixed for 1st 3 yrs and 6-mth Libor flat, min 5%, max 7¾%, thereafter. c) Coupon: 3-mth Libor +0.25%. Callable on interest payment dates from Feb.97 at par.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/02	121.9300	+0.010	6.66	6.62	6.75
Belgium		9.000	03/03	116.9900	+0.030	6.49	6.36	6.78
Canada *		7.500	12/03	106.0000	−0.050	6.66	6.59	6.74
Denmark		8.000	05/03	112.9500	−0.020	6.13	6.12	6.34
France	BTAN	8.500	05/98	110.0100	−0.040	4.99	6.03	6.06
	OAT	6.750	10/03	107.5800	−0.060	5.71	5.63	6.03
Germany		6.000	09/03	102.8000	+0.020	5.61	5.55	5.84
Italy		9.000	10/03	-	-	-†	8.72	9.05
Japan	No 119	4.800	06/99	111.8460	+0.050	2.35	2.37	2.55
	No 157	4.500	06/03	110.5500	-	3.06	3.04	3.21
Netherlands		6.500	04/03	106.2800	+0.040	5.61	5.51	5.81
Spain		10.500	10/03	-	-	-	8.12	8.53
UK Gilts		9.750	01/98	114-03	+1/32	5.75	5.60	5.73
		8.000	06/03	112-06	+2/32	6.27	6.11	6.41
		9.000	10/08	122-31	−6/32	6.55	6.41	6.73
US Treasury *		5.750	08/03	99-13	+10/32	5.83	5.76	5.74
		6.250	08/23	98-15	+12/32	6.37	6.33	6.21
ECU (French Govt)		8.000	04/03	114.0600	+0.100	6.98	5.97	6.27

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.32	130.32	-0.06	130.38	130.16	182,902	127,156
Jun	129.80	129.80	-0.06	129.86	129.70	440	9,834
Sep	128.92	128.92	-0.06	129.00	128.92	622	18

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Jun
127	-	3.41	-	-	0.10	0.47
128	-	2.50	-	-	0.20	0.74
129	-	1.66	1.80	0.12	0.33	1.07
130	-	1.00	1.26	0.36	0.64	1.50
131	0.22	0.51	0.82	0.91	1.16	-
132	0.05	0.21	0.50	-	-	-

Est. vol. total, Calls 18,887 Puts 18,434. Previous day's open int., Calls 205,229 Puts 282,583.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.87	100.83	-0.01	100.93	100.64	112534	140343
Jun	100.65	100.78	-0.01	100.83	100.61	36	1269

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
10050	0.77	1.17	0.44	0.89
10100	0.51	0.91	0.68	1.13
10150	0.32	0.70	0.99	1.42

Est. vol. total, Calls 16227 Puts 18859. Previous day's open int., Calls 178442 Puts 105242

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.53	103.44	-0.02	103.53	103.41	1963	11302

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	117.71	117.91	+0.24	118.02	117.33	26191	80485
Jun		118.01	+0.24			0	197

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
11750	1.79	3.12	1.38	2.61
11800	1.53	2.86	1.62	2.85
11850	1.28	2.63	1.87	3.12

Est. vol. total, Calls 969 Puts 108. Previous day's open int., Calls 37118 Puts 38849

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) Jan.5

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	105.10	104.70	-0.24	105.17	104.40	44,915	81,712
Jun	104.85	104.65	-0.37	104.85	104.40	164	7,978

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	118-21	118-26	+0-02	119-02	118-16	59721	100851
Jun		118-06	+0-02			0	128

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
118	1-39	2-11	0-51	1-63
119	1-05	1-45	1-17	2-33
120	0-42	1-20	1-54	3-08

Est. vol. total, Calls 4490 Puts 4181. Previous day's open int., Calls 79116 Puts 42264

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	121.54	121.54	+0.02	121.60	121.20	2,363	12,556
Jun	96.60	96.60	-0.24	96.60	96.60	2	50

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	113-25	114-17	+0-23	114-26	113-22	335,704	301,285
Jun	112-23	113-14	+0-23	113-23	112-23	2,741	14,435
Sep	112-02	112-15	+0-21	112-18	112-02	964	19,394

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	117.70			117.81	117.66	1233	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Jan 6	Day's change %	Wed Jan 5	Accrued interest	xd adj. ytd		Low coupon yield Jan 6	Jan 5	Yr. ago	Medium coupon yield Jan 6	Jan 5	Yr. ago	High coupon yield Jan 6	Jan 5	Yr. ago
1 Up to 5 years (25)	129.75	−0.01	129.76	2.01	0.00	5 yrs	5.71	5.70	7.12	5.93	5.93	7.49	6.02	6.01	7.71
2 5-15 years (22)	162.42	−0.01	162.43	2.31	0.10	15 yrs	6.41	6.41	8.25	6.54	6.52	8.67	6.74	6.74	8.93
3 Over 15 years (8)	188.43	−0.19	188.79	2.08	0.00	20 yrs	6.51	6.50	8.51	6.58	6.57	8.86	6.76	6.75	9.01
4 Irredeemables (6)	225.91	−0.26	226.49	1.47	0.00	Irred.†	6.64	6.62	8.85						
5 All stocks (61)	156.99	−0.04	157.08	2.19	0.05										

Index-linked							Inflation 5% Jan 6	Jan 5	Yr. ago	Inflation 10% Jan 6	Jan 5	Yr. ago
6 Up to 5 years (2)	190.97	−0.18	191.31	1.31	0.00	Up to 5 yrs	2.22	2.16	2.62	1.40	1.33	1.82
7 Over 5 years (11)	191.63	−0.45	192.49	0.82	0.00	Over 5 yrs	2.95	2.92	3.82	2.78	2.75	3.64
8 All stocks (13)	190.62	−0.42	191.43	0.87	0.00							

Debentures and Loans						5 year yield Jan 6	Jan 5	Yr. ago	15 year yield Jan 6	Jan 5	Yr. ago	25 year yield Jan 6	Jan 5	Yr. ago
9 Debs & Loans (65)	151.43	−0.17	151.68	2.33	0.11	7.27	7.25	8.88	7.58	7.56	9.78	7.70	7.68	9.96

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 6	Jan 5	Jan 4	Dec 31	Dec 30	Yr ago	High*	Low*
Govt. Secs. (UK)	106.46	106.57	106.91	107.60	107.58	93.96	107.60	93.28
Fixed Interest	130.99	131.15	131.68	132.03	131.71	109.59	132.03	108.67

* for 1993/94. Government Securities high since compilation. 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation. 132.03 (31/12/93), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Jan 5	Jan 4	Dec 31	Dec 30	Dec 29
Gilt Edged bargains	74.2	73.7	34.5	61.4	51.1
5-day average	59.0	51.5	52.5	59.8	65.9

UK GILTS PRICES

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on January 6

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100¼	100⅝	+⅛	6.46
AlbertaProvince 9⅜ 95	600	108¼	108⅝		4.50
Austria 8½ 00	400	113½	113¾	+¼	5.79
Bank of Tokyo 8⅜ 96	100	107	107⅜		4.97
Belgium 9⅝ 98	250	116	116⅜	+¼	5.51
BFCE 7¾ 97	150	107⅝	108⅛		5.07
British Gas 0 21	1500	12¾	13⅛		7.68
[illegible]					
United Kingdom 7¼ 97	5500	106⅞	107		5.09
Volkswagen Intl Fin 7 03	1000	103⅛	103⅜	-¼	6.50
World Bank 0 15	2000	28⅛	28⅜	-¼	5.95
World Bank 5¾ 96	300	103¼	103½	+⅛	4.16
World Bank 8¾ 00	1250	117⅜	117⅝	-¼	5.41
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	115¼	115½		4.67
[illegible]					
Alliance Leics 11¼ 97 £	100	115½	116	-⅛	6.08
British Gas 12¼ 95 £	300	107¾	108⅛	-⅛	5.30
British Land 12½ 16 £	150	141⅛	141½	-½	8.58
EIB 10 97 £	637	111⅞	112¼	+⅛	5.68
Halifax 10⅜ 97 £	100	112½	112⅞	-⅛	5.91
Hanson 10⅜ 97 £	500	113⅛	113½	+⅛	6.35
HSBC Holdings 11.69 02 £	153	125	125½	-⅛	7.60
[illegible]					

COMPANY NEWS: UK

MAM adds to investment operations

By Norma Cohen, Investments Correspondent

Mercury Asset Management, the UK's largest fund management group, has agreed in principle to buy the fund management business of River and Mercantile Trust, one of the oldest investment trust companies in the UK.

The move is part of MAM's effort to diversify its businesses, which are overwhelmingly dependent on the UK pension fund market, and expand into services for private investors, such as investment trusts.

MAM, like other leading fund managers, is concerned that regulatory changes and rising expenses will prompt employers to abandon the final salary pension schemes which have formed the core of their businesses.

Of MAM's £56bn under management as of September 30 1993, £40bn represented assets of UK pension funds, while £10bn came from international clients and a further £6bn belonged to private investors.

"We have wanted to diversify our business into the international side and the private investor side," said Mr David Rosier, managing director of MAM's private investor businesses. "A gap in our armour was that we had no investment trusts, bar one." Last year, MAM raised £426m with its Mercury World Mining Trust.

River and Mercantile Investment Management, which is to be acquired by MAM, was formed in 1985 as the fund management arm of River and Mercantile Trust, an investment trust formed in 1881. It specialises in managing split-capital investment trusts which concentrate on the selection of stocks with high dividend streams. Its 15 staff will be employed by MAM.

The fund management company looks after about £400m, of which £215m is in its original investment trust. It has four other investment trusts and runs personal equity plans for roughly 3,500 individual clients.

Exceptional leaves Osprey £5m in red

Osprey Communications, which provides advertising and associated services, incurred a pre-tax loss of £5.07m for the 16 months ended September after taking account of an exceptional provision of £4.33m.

During the period the group sold its marketing services division to management for £2.1m, bought SMS Communications in cash and shares and raised £1.5m via a rights issue.

Mr Jack Rubins, who took over as chairman following SMS's reversal into Osprey, said the results were dominated by the impact of the first 12 months during which trading was "far from satisfactory."

He said yesterday that since June Osprey had returned an operating profit each month, borrowings had been substantially reduced and the group had closed its extended financial period on a "positive note".

Turnover for the 16 months totalled £23.4m and operating losses amounted to £282,000. Losses per share emerged at 30.12p. There is no final dividend, leaving shareholders with just 0.1p for the period.

For the 12 months to May 31 1992 the group incurred a pre-tax loss of £336,000 on turnover of £25.6m. Losses per share emerged at 2.03p and a dividend of 0.65p was paid.

The shares closed 2½p higher at 35p.

Black Sea port project gets backing from Bula

Bula Resources (Holdings), the energy production and exploration group, has signed a letter of intent with the Krasnodar region of the Russian Federation in respect of development and finance required for enhancement of the Black Sea port of Tuapse.

In return, Bula will receive a royalty based on tonnage flow through the port; an absolute priority right to have products exported or imported through the port, and a right of first refusal on any opportunities that may become available regarding exploitation of oil and gas assets in the Krasnodar region.

Mr Jim Stanley, chairman, said the move signalled Bula's commitment to Russia.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abbey ....int	2¶	Feb 16	nil	-	2
Cassidy Bros § ....int	0.75	Apr 6	0.75	-	2.4
Dixons ....int	1.7	Mar 1	1.6	-	6.2
Druck § ....int	3.7	Feb 21	3.4	-	10
Fleming Int High ....int	1	Feb 18	1	-	3.5675
Osprey Comms ....fin	nil	-	nil	0.1‡	0.65
TR City of Lndn ....int	1.23★	Feb 28	1.23	-	4.8
Vardy (Reg) ....int	1.4	Apr 29	1.3	-	4.2

Dividends shown pence per share net except where otherwise stated. §USM stock. ¶Irish pence. ★Second interim. ‡For 16 months.

Upturn in new car sales lifts Reg Vardy

By Paul Taylor

The sharp recovery in new car sales was highlighted yesterday by Reg Vardy, the Sunderland-based multi-franchise motor distribution group, which reported a substantial increase in first-half turnover and profits.

Pre-tax profits, bolstered by a £800,000 gain on the sale of surplus land, jumped by 97 per cent to £3.51m in the six months to October 31, up from a restated £1.78m.

The figures have been adjusted to take account of FRS 3.

Earnings per share increased to 5.3p (2.9p) and the interim dividend is raised to 1.4p (1.3p).

The shares rose 5p to 185p.

Turnover increased by 32 per cent to £142.7m (£108m) with roughly 70 per cent coming from the group's 20 volume car franchises and the remainder generated by the 6 specialist franchises.

New car sales increased from 4,000 last time to just over 6,000, including a record 2,911 vehicles sold in August.

On a like-for-like basis, car sales expanded by about 13 per cent, outstripping the underlying market growth.

However, the surge in sales also reflected the addition of five new dealerships, including the acquisition of Mercedes-Benz dealerships in Cambridge and Glasgow in May and June last year, and a Fiat/Alfa Romeo dealership in Aberdeen, also in June.

The group spent £7.4m on acquisitions and new business developments during the first-half and the acquired dealerships contributed £300,000 of operating profits after incurring £250,000 of initial set-up costs.

Overall operating profits increased by 44 per cent to £3.21m (£2.22m), including £296,000 (£60,000) from acquisitions.

Mr Peter Vardy, chairman, said margins from used cars improved considerably and contributions from service, parts and bodyshops all continued to show encouraging growth.

Gresham Telecomp consultancy buy

Gresham Telecomputing has acquired Interwork, the principal activity of which is the provision of network systems consultancy.

The consideration is 700,000 new ordinary shares and an option for the vendors to acquire a further 400,000 shares at 108p between January 5 1997 and January 6 2001.

At March 31 1993 Interwork had audited net assets of £20,530 and had achieved pre-tax profits of £25,837 since its founding in July 1992 by Mr Christopher Swinbank and Mr Christopher Howe-Davies following their sale of Hytec in March 1992.

As part of the deal, Mr Swinbank will join the Gresham board as group managing director while Mr Howe-Davies is appointed group sales director.

Dixons sticks to sound game plan

Undeterred by the whims of youth the retailer is intent on growth, writes **Neil Buckley**

After Dixons' surprise announcement in September that it had offloaded its lossmaking US Silo chain onto US retailer Fretter, yesterday's news of poor trading in its UK business was the last thing that the City wanted to hear.

"The nightmare was always going to be, if, after they dealt so well with the Silo problem, the UK was to go wrong," said one analyst.

The disappointment that Dixons' profits were not going to increase as expected was reflected in the 15 per cent slide in the share price. But as the dust settled, analysts suggested that the poor performance over Christmas and lacklustre first-half results were caused more by external factors and market conditions than of problems with underlying strategy.

Christmas trading suffered disproportionately from poor sales and price wars in the computer games sector, which seriously damaged margins. That sector had sparkled over Christmas 1992 when it helped Dixons to a 17 per cent sales increase.

Meanwhile, gross margins came under pressure in the first half, thanks partly to increasing price competition, but also due to higher import costs following the devaluation of sterling.

In a brown goods market which did not grow at all in value, and a white goods market which grew only 3 per cent, Dixons did well to increase market share and record like-for-like sales increases in its three main chains.

Dixons has improved both pre and after-sales care through better training and repair centres

Dixons has earned much respect for the way it has developed its UK retail business and turned around the Currys chain.

An important part of its strategy has been a move away from its price-led "pile it high, sell it cheap," style of retailing of the 1980s, with a strong own-brand element, to become a more upmarket, service and brand-led business.

Customer service was a notorious weak point in the late 1980s and Dixons has improved both pre and after-sales care through better training and the introduction of repair centres into many stores.

Another important move was to reposition the businesses. Dixons, which will remain a high-street chain, is designed to attract a high-level of impulse purchases, by more technologically-aware customers, and its product range has a high-tech bias.

The size of the chain is likely to change little from the present 357 stores.

Currys is aimed more at planned purchases by customers less confident of technology, and is biased towards larger goods, such as televisions, refrigerators and washing machines. Currys is gradually being shifted away from the high street towards out-of-town superstores.

The high street chain shrank by 16 stores to 346 in the first half, while the superstore chain added 12 stores to reach 145. It is the latter that has been driving retailing profits growth in recent years, and Dixons plans to accelerate expansion towards 250 stores.

Since last February, a final part of the strategy has been PC World, the computer superstore chain acquired for £8.5m from Vision Technology Group. Dixons would have entered the market anyway, but the acquisition provided it with a tried-and-tested format and a head-start on competitors.

Three PC Worlds opened last year in Cardiff, Bristol and Leeds, taking the chain to seven, and six more are planned.

Analysts believe the chain could generate £1m annual profits per store, and there could be 20 stores in place by 1995-96.

Meanwhile, Dixons needs to find the next big thing to take over from the flagging games consoles market. Mr John Clare, chief executive, says there are a number of candidates, including mobile telephones, lap-top computers and personal organisers – even if they lack the youth appeal of the Super Nintendo and the Sega Megadrive.

Expansion at B'ham Midshires

By Alison Smith

Birmingham Midshires, the UK's 13th largest building society, has bought over £45m of residential mortgages from the Dunedin Mortgage Company for an undisclosed amount.

The mortgage book comprises 950 borrowers, with an average loan value of £47 000.

It represents Birmingham Midshires' fourth purchase of a portfolio within the last year, and takes the value of the assets acquired in that period to £295m. Its assets now amount to more than £4bn.

The society views acquisition as a faster route to increasing asset size than organic growth.

The sale of the DMC mortgage book follows the announcement last autumn that the Internationale Nederlanden Groep, one of Europe's biggest life assurance companies, was selling the Life Association of Scotland to Britannia Life. Britannia did not want the Dunedin property group, the joint venture set up in the 1980s in which LAS was one of the partners, saying it had enough property development of its own, while Dunedin's Dutch parent no longer wanted to continue in the UK mortgage market through the separate activities of DMC.

Clerical Medical bonuses trimmed

By Bethan Hutton

Clerical Medical, the mutual insurance group, has cut its bonuses on with-profits endowment policies, leading to lower pay-outs for both 10-year and 25-year policies maturing this year.

The maturity value of a 10-year policy, taken out by a man aged 29 paying £30 a month, is £6,537, down 6 per cent from last year, while a 25-year policy is worth £80,820, down 1 per cent. Bonus rates on unitised with-profit policies and individual pension products have also been cut.

Mr Paul Gregory, marketing manager of Clerical Medical's life business unit, said the cuts were "less acute than they might have been", and attributed this to good investment returns at the end of 1993. However, he added: "Bonus rates may be expected to continue to fall."

● AXA Equity & Law, which declares its bonuses in two stages, yesterday said that reversionary bonuses (which are attached to a policy throughout its life and cannot be revoked) on with-profit policies would be maintained, while bonuses on unitised with-profit policies would be cut. The company is due to announce terminal bonus rates – which determine final maturity values – for this year in February.

Pelican expands to £0.96m and expects further growth

By Catherine Milton

Pelican Group, the restaurant operator, reported pre-tax profits ahead from £357,000 to £960,000 in the six months to September 30.

Turnover rose to £6.67m (£3.83m). The company opened four restaurants during the period taking the total to 38.

However, the results included only five month contributions from both the Yankee Noodle Restaurants, acquired in May for £6m and from Cafe Pelican, the refurbished central London outlet, which contributed more than a tenth of operating profits.

"We are now in a position to continue our strategy of creating multiple restaurant chains. We now have many concepts available for expansion throughout the UK and a strong management structure in place in the US," said Mr Roger Myers, chairman.

He said the company's rapid expansion in recent years had yielded bulk buying benefits. "The real growth comes from opening more restaurants and from the Yankee Noodle acquisition."

Mr Robert Earl, who is behind the Planet Hollywood chain of themed burger restaurants, has become an executive director of Pelican's US subsidiary. He joined Pelican as a non-executive in May with the Yankee Noodle acquisition.

Operating profit rose to £1.03m (£538,000) and interest charges fell to £66,000 (£181,000). Total debt at the half-way stage stood at £1.5m (£3m) giving gearing of 10 per cent. Mr Myers said gearing should not exceed current levels.

The company has no need to raise funds for organic growth from shareholders following last year's £6m placing and open offer which paid for the Yankee Noodle acquisition.

Mr Myers said all the restaurants were now generating cash and were profitable. Cash flow from operating activities in the period was more than £1m (£450,000).

Earnings per share rose to 1.95p (1.89p) after a tax charge this time of £200,000.

For the second successive year, the board has decided not to pay an interim dividend so as to "maximise the funds available to fuel expansion", Mr Myers said.

Management buys PJH for £25.5m

By Ian Hamilton Fazey, Northern Correspondent

PJH Group, one of Britain's largest wholesale distributors of kitchen, bedroom and bathroom furniture, has been bought by its management from Asko Deutsche Kaufhaus, one of Germany's leading retail chains, for £25.5m.

Mr David Riley, a former sales director who has been on the board of Spring Ram for the last six years, will be the new chief executive. Mr Riley was headhunted by Spring Ram, the troubled Yorkshire kitchens and bathrooms group, during its mid-1980s expansion.

Spring Ram is one of PJH's suppliers.

Because of the recession in Germany, Kaufhaus is divesting from non-core businesses in much the same way as large UK companies did three years ago.

PJH was Kaufhaus's only British interest.

The company, which has annual sales of about £70m, made a £3.1m profit in 1992, and has survived the recession partly because of a 5,000-strong customer base of small or medium-sized builders' merchants and retailers, rather than supplying a few large outlets.

It operates from Bolton and has eight trading centres throughout Britain, employing about 400 people.

Founded as Peter J Hopkinson in 1972, PJH was owned by Lonrho from 1978, which sold it to GBS, a Kaufhaus subsidiary, in 1990.

"The management has already proved itself", Mr Riley said yesterday. "The predicted upturn in the home improvement and property markets should offer scope to grow the business further from its strong base."

Risk capital was arranged by Montagu Private Equity, supported by Schroder Ventures, with loans and overdraft facilities from Midland Bank.

Cassidy falls but sees better second half

Cassidy Brothers, the USM-traded toymaker, suffered a 24 per cent downturn in pre-tax profits from £716,055 to £541,368 for the six months to October 31.

Turnover declined from £4.35m to £4.02m. However, in early October a "flood" of orders helped "ease the pain" of the slow business endured up until September.

Sales for November and December showed an increase of 43 per cent at £1.65m (£1.15m) and with "guarded optimism" the company said turnover for the full year would be in the region of £6.75m (£6.26m).

It added that if that forecast was met, pre-tax profits for the 12 months "could well approach £600,000" – profits for 1992-93 fell to £457,217.

The interim dividend is maintained at 0.75p from earnings of 6.95p (9.02p) per share.

The company is considering the possibility of manufacturing a small range of its high labour content merchandise in China.

St Ives sells Talbot back to founder

By Paul Taylor

St Ives, the UK printing group, has sold Talbot Publishing Systems, its small lossmaking newspaper systems and software development business which was acquired in July 1990, back to Mr Andrew Clunies-Ross, its managing director and founder.

Talbot's main product is an Apple computer-based electronic page make-up system designed for newspapers, but which St Ives originally hoped would also be bought by magazine publishers.

Mr Miles Emley, St Ives' chairman, said the decision to dispose of the business, which he said had been sold for "a fairly nominal sum," mainly reflected the difficult market conditions in the pre-press industry.

This had resulted in Talbot incurring operating losses of about £100,000 in the first five months of the current year.

In addition, he said that magazine publishers had generally acquired off-the-shelf electronic publishing software packages, rather than customised systems developed by Talbot.

Mr Emley, who succeeded Mr Robert Gavron as St Ives chairman last year, said the Talbot business reported a profit in its first full year of ownership, but had since lost money. As a result, no performance-related payments, over and above the £1.2m acquisition price, have been made.

The sale means that under the latest accounting rules, goodwill of £1m which was written off at the time of acquisition will be reinstated and written off as exceptional.

Buoyant Abbey jumps to I£2.65m

Abbey, the Dublin-based residential estate development and plant hire group, reported profits of I£2.65m (£2.54m) before tax in the six months to October 31.

Mr Charles Gallagher, chairman, described the result, up from I£501,000 last time, as "the most encouraging for some time". Interest income was lower at I£614,000 (I£772,000).

The group's UK housebuilding operation enjoyed higher margins and completed 211 unit sales at an average price of £58,000, while the plant hire business returned to the black reflecting rising activity and stable hire rates.

Turnover was I£18.8m (I£17.8m). An interim dividend of 2p is payable from earnings of 4.38p (0.43p) per share.

NEWS DIGEST

Exports help Druck rise to £2m

Increased exports helped raise pre-tax profits at Druck Holdings, the manufacturer of electronic pressure measuring devices, by 19 per cent from £1.75m to £2.08m in the first half to September 30.

Sales rose 16 per cent to £14.7m (£12.7m).

Mr John Salmon, chairman, said exports accounted for 75 per cent of total orders, against 68 per cent previously. The main extra contribution to exports, and to the group total, came from Japan.

Shares in the USM-quoted company rose 13p to £12.33p.

The interim dividend is increased to 3.7p (3.4p) on earnings ahead to 20.8p (18p).

Fleming Intl High Inc revenue falls

The Fleming International High Income Investment Trust has maintained its interim dividend at 1p for the six months to November 30. It is expected that the total for the year will be unchanged at 3.5675p.

Net revenue fell from £2.36m to £2.12m for earnings per share of 1.9p (2.11p). The reduction was caused by a fall to £30,000 (£647,000) in deposit income as the trust moved to being fully invested.

Net asset value per share at the period end was 48.5p, against 39.8p a year earlier. Net assets per zero dividend share were 83.2p (73.6p).

Greenwich in the black with £0.1m

Greenwich Resources, the metals and minerals exploration group, achieved a turnround from pre-tax losses of £697,000 to profits of £106,000 in the year to September 30.

Mr Colin Phipps, chairman, said the result reflected the continuing benefits from restructuring carried out in 1991-92.

He added that administrative expenses were further reduced during the year and, of the £3.7m spent on exploring the mineral properties, the group's share was largely funded by joint venture partners.

After tax of £4,000 (£33,000) earnings per share came through at 0.1p (1p losses).

Laird makes £9m window security buy

In line with its strategy to expand its non-automotive activities, Laird Group has acquired Equator Wheels & Sections, a manufacturer of metal spacers and reinforcers for windows and doors, for £8.8m cash.

Mr Ian Arnott, managing director, said EWS would be integrated into the security systems division, which with the acquisition will comprise 10 companies in the building products sector in the UK and the US.

In 1992 Equator Wheels made sales of £13.7m and is expected to beat this figure for 1993. Profits before interest and tax in 1992 were £1.2m.

Asda Property buys retail centre

Asda Property has completed the purchase of the Wheatley Centre in Doncaster, South Yorkshire, from the receivers, Touche Ross. Consideration amounted to £5.08m cash.

The 175,000 sq ft development is half vacant. Annual rental income from existing tenants is about £450,000.

Suter completes £11m property sale

Suter, the industrial conglomerate, has completed the sale of the 24-acre Lyne Hill industrial estate at Penkridge, Stafford, to Great Portland Estates for £11m cash.

The deal is subject to a 19-year leaseback to Suter Estates at an initial annual rent of £1.1m, rising to a minimum of £1.3m at the first review period in five years' time.

Starmin sells Brand & Rae

Starmin, the quarry products company chaired by Lord Parkinson, has sold Brand & Rae, the Fife-based manufacturer of dense and lightweight building blocks and concrete roofing tiles, for £413,000 cash.

Starmin is responsible for collection of debts and payment of creditors prior to the sale. The deal forms part of the company's strategy of reducing borrowings by disposing of non-core assets.

In the 11 months to November 1993 Brand & Rae incurred an operating loss of £26,000. Unaudited net assets at the sale date of December 23 were £428,000.

Starmin said the loss on disposal would be increased by the write-off of goodwill amounting to £830,000.

Wm Morrison sales ahead

Wm Morrison Supermarkets reported takings up 12.9 per cent in the five weeks to January 2.

Most of the increase came from new stores with a rise of 2.8 per cent from stores opened before December 1992.

Rugby sells French glass processor

Rugby Group has sold Vertal, its French glass processing business, to Glaverbel of Belgium for £5m cash.

Rugby said Vertal had been operating in increasingly difficult market conditions and was no longer regarded as a core business. Rugby will continue to develop its UK glass business.

Loss on the sale, after writing back £4.9m goodwill, was expected to be about £1.3m, which will be charged against profits in 1993 as required by FRS 3. Vertal's net assets at completion were £1.3m.

Rugby's borrowings were reduced by £9.8m by virtue of the sale.

Bakery equipment buy for Allied-Lyons

Allied-Lyons' US offshoot, DCA Food Industries – a supplier of bakery mixes and bakery production equipment – is acquiring Baker's Aid Co, a division of M Raubvogel Co.

Baker's Aid, based in Syosset, New York, is a supplier of bakery production equipment for on-premise bakeries.

The consideration is not material in relation to Allied-Lyons' net assets.

Beckenham share trading restored

Trading in the shares of Beckenham Group, the USM-quoted heating and ventilation engineer, was restored yesterday after the announcement of refinancing proposals on Wednesday. The shares closed down ¼p at 2p.

The proposals, including a placing, rights issue and share consolidation, will be put to shareholders on January 27.

Gold market surrenders its new year gains

By Kenneth Gooding, Mining Correspondent

Gold's price yesterday lost all the gains it had made since the begining of the new year as computer programmes used by some US institutional investors sent out "sell" signals.

In London the price dropped to $385 a troy ounce at once stage before recovering slightly to close at $388.75, down $7.75.

Some analysts suggested the drop merely represented a badly-needed pause for breath before gold and other precious metals continued their upward climb towards key levels: $400 for gold and $5.30 an ounce for silver. However, Mr Ted Arnold, analyst at the Merrill Lynch financial services group, warned that "physical demand for gold is dropping like a stone" at recent price levels. "The higher gold prices go the more physical offtake is likely to fall in both Asia and the Middle East."

Mr Arnold said Saudi Arabians had been big buyers of gold and silver in the past few months as a hedge against possible devaluation of their currency. That threat had eased and "much of this gold and silver is now showing a good profit and is likely to be disinvested at higher price levels".

Silver, which lead the precious metals up and then down again this month, closed in London last night down 17 cents an ounce at $5.07. However, by mid-day in New York it was rising again. Some traders said this was because it had earlier held above a key support level: $4.96 an ounce.

One trader told Reuter that two investment funds that liquidated their positions in the gold futures market did not have silver positions.

FT GOLD MINES INDEX

Weekly values†	Jan. 5	% chg on week
Index	2,368.6	+8.1
Regional indices		
Africa	3,416.8	+9.6
Australasia	2,953.5	+13.4
North America	1,947.8	+4.4
Gold PM Fix	$395.25*	+2.4

*†Indicative. *Per troy ounce. Indices in US$ terms, based at 1,000 on 31/12/92. Daily publication will begin on 1/2/94*

India seen making heavy sugar imports

India will have to import up to 500,000 tonnes of sugar in 1993-94 to meet its growing consumption, according to the Centre for Monitoring the Indian Economy, reports Reuter from Bombay.

CMIE, a privately-funded research body, estimated the season's opening sugar stock at 3.3m tonnes and production at 11.5m tonnes, against a domestic consumption of 12.2m.

"However, about 500,000 tonnes of sugar would have to be imported during the year to maintain a healthy year-end stock level," the centre said.

It suggested that the government might also allow more imports of raw sugar for refining and re-export. The commerce ministry had allowed an import of 50,000 tonnes of raw sugar last month for re-export after refining.

"More imports may be allowed after evaluating the impact of the initial flow in the domestic markets," CMIE said.

The government had agreed to imports of raw sugar after the sugar industry suggested the idea to maintain its presence in the market, where prices had been on the rise. According to the CMIE, domestic sugar prices in December were 7 per cent higher than in November and 37 per cent higher than in December 1992. But sugar industry oficials said the Indian Sugar Industry Export Corporation, the private sector agency authorised to import raw sugar, had not bought any because of high international prices.

"At the moment we have not gone for any purchases. We have not applied our mind to the proposal," said Mr S.L. Jain of the Indian Sugar Mills' Association. "The present international price situation of raw sugar and white sugar is not compatible with the government policy on value addition."

Steichen says no more farm reform needed

By Deborah Hargreaves

The European Union will need to make no further adjustments to its reforms of its common agricultural policy provided that member countries stick to the schedule already agreed for changes, which runs until 1996, Mr Rene Steichen, the union's agriculture commissioner said yesterday.

Speaking at the Oxford Farming Conference, Mr Steichen said: "There are good reasons to hope that we can erode current cereal stocks by rising internal consumption and the increase in subsidised exports allowed under last-minute changes to the Blair House deal".

He said that no further CAP reforms for the arable sector would be necessary to fit in with the recent settlement in the General Agreement on Tariffs and Trade. The modifications to the Blair House accord, which were made to quell French objections to the Gatt deal, will allow the EU to export an additional 8.1m tonnes of wheat and flour over the six years from 1995. That represented about a third of current stocks of between 23m and 25m tonnes, Mr Steichen said.

In addition, he pointed to a rise in the consumption of wheat for animal feed within the EU. This is expected to grow by 4m to 5m tonnes in the latest marketing year and looks set to rise by 11m tonnes a year within two to three years.

Nevertheless, cereals stocks were still "alarmingly high," and the community had some way to go in getting rid of them, the commissioner stressed.

He pointed to the crucial role played by the unpopular acreage set-aside programme in the reform of the arable sector. "I appreciate and sympathise with the concerns of farmers on set-aside," he admitted. But he claimed that decisions taken at the last council meeting in December to enable farmers to opt voluntarily to set-aside larger portions of their land than the compulsory 15 per cent would make the programme more acceptable to producers and society.

"This could mean that there will be a tendency towards lower set-aside requirements rather than an increase after 1996."

Mr Steichen insisted that CAP reform was compatible with the Gatt agreement as long as member countries implemented the reforms strictly.

He said that the modifications to the Blair House deal, as well as increasing the amount of subsidised wheat exports over six years, would see the EU exporting an additional 362,000 tonnes of cheap beef – 65 per cent of the EU's stockpile – 253,000 tonnes of poultry and 102,000 tonnes of peas.

Although the overall picture of CAP reform was positive, Mr Steichen stressed that reform of the beef sector was urgently needed "before an emergency situation arises". Beef stocks had recently become more balanced – falling from 1m tonnes to about 500,000 tonnes – but that was the result of the production cycle rather than reform.

"In 1 to 2 years we will be facing an imbalance caused by overproduction again," he warned.

CBoT aims to share in lumber boom

By Laurie Morse in Chicago

The Chicago Board of Trade, hoping to cash in on the recently boisterous performance of the lumber market, will introduce on 25 January futures on an index of structural panel prices. The contract, a revamp of the exchange's old plywood futures contract, will be based on an index of prices for US southern yellow pine plywood and oriented strand board. It will be settled in cash, rather than with physical delivery.

Structural panels are used extensively in US home building, an area of the US economy that has begun to rebound. The structural panel index will reflect forest product prices in the south and eastern US.

Washington holds key to Cuba's farming future

Agricultural exports could blossom if the US lifted its embargo, writes **Canute James**

Cuban agriculture could become a significant force on markets, including the US, if Washington's trade embargo on the Caribbean island was lifted, according to a group of experts that discussed the island's agriculture at a recent conference in Miami on Central American and Caribbean trade.

It also concluded, however, that it would take the country many years after the ending of an embargo to adjust to a global market very different from that which prevailed at the time of the 1959 revolution.

It was also thought unlikely that the island republic would be able to regain any of the significant markets it lost, as these had been taken over by other producers who would not easily be dislodged.

"Cuba has not been sitting still in agriculture despite the many setbacks," said Mr John Lamb, associate director for international trade of Chemonics International of the US. "The sector employs 19 per cent of the country's workers and accounts for 75 per cent of its foreign earnings." The changes to Cuba's agriculture that were implemented by the government last September were intended to deal with current problems of production shortfalls, and did not seek to lift production to find new markets, the experts concluded. The Cuban government has allowed increased private participation in agriculture with the establishment of new co-operative farms and individually-run farms – but these still operate within the framework of the state's continuing control of the economy.

The sugar industry, the main pillar of Cuban agriculture, would face some difficulty in regaining markets even if the embargo was lifted, Mr Lamb said. He noted that before the 1959 revolution, Cuba had a half of the US sugar market at a time when US cane sugar imports were about 6m tonnes a year. But US cane sugar consumption was now only about 3m tonnes a year.

The experts reasoned that, if the trade embargo ended, Cuba could be attractive to US investors in agriculture wanting an offshore location. Mr Lamb said the island had good soil and flat land, adequate water, a large, trained labour force, minimal pest problems, good ports and a sound internal transportation infrastructure.

The Cuban citrus industry was supported by an extensive research system, said Mr Gene Albrigo, a horticulturalist with the Citrus Research and Education Centre of the University of Florida. "Over 60 per cent of the trees are under 15 years old. There are adequate facilities in the packing houses, of which there are 25, with two more being built.

The industry has several forms of joint agreements with Chilean, British, Spanish, Israeli and Greek companies." Cuba's impact on the US or other markets would not be immediate if the embargo was lifted, the experts concluded. They expected that first efforts would be for an expansion of domestic food crops for local consumption, and a rehabilitation of the sugar industry because of its importance to the national economy. It would also take some time for the expected disputes over land tenure and land ownership to be resolved.

The US government has warned prospective foreign investors in Cuba not to become involved with property that was seized by the government and could be the subject of legal disputes if and when there is a change of government in the island.

"Salinity is also a very big and growing problem," reported Mr Albrigo. "This has reached a crisis in some parts of the coast and across the centre of the island. If this continues it will be a disaster, particularly for fruit and vegetables."

In addition to expanded production of the traditional commodities (sugar, citrus, coffee, tobacco) to satisfy a new market, Cuba has the potential to become an important source of horticultural products for North America. Some participants in the conference concluded that this was an area of the island's agriculture that could bloom in a post-embargo Cuba.

"Cuba was once a major exporter of vegetables, but the market has been taken over by Mexico since the embargo," said Mr Lamb. "Cuban access to the US market in the future will have an adverse impact on producers in the Caribbean, Central America, Mexico and Florida, especially in the production of vegetables and horticulture."

Mr Carlos Balerdi, a tropical fruit crops agent in the agricultural extension service of Dade County, Florida, thought that one major hurdle for Cuban agriculture if and when the embargo was lifted could be psychological. "One problem is that agricultural work has been used as a penalty for dissidents and those trying to leave the island," he said. "This may cause a very negative psychological reaction to agriculture in a future Cuba."

Aluminium problems hit Jamaican bauxite earnings

By Canute James in Kingston

Jamaica's 1993 bauxite production slipped by just under one per cent to 11.2m tonnes because of weak demand and the flatness of the aluminium market.

There was, however, a 2.8 per cent rise in production of alumina (aluminium oxide) to 2.98m tonnes, while exports of crude ore fell 1.4 per cent to 4.07m tonnes.

Jamaica is the world's third largest bauxite producer, after Australia and Guinea, and the island's earnings from the industry, which are pegged to international prices for aluminium, fell to $529m last year, $48m less than in 1992.

Mr Parris Lyew-Ayee, acting managing director of the institute, said that Jamaica, like other bauxite producers, was suffering from the weak state of the world aluminium industry, "a high level of output of primary aluminium in all the producing countries, and the reluctance of producers to curtail production to correct the oversupply".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1128.5-29.5	1146-47
Previous	1130.5-1.5	1149-50
High/low	1135	1154/1142
AM Official	1134.5-35	1150.5-51
Kerb close		1146.5-47
Open int.	265,684	
Total daily turnover	45,683	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	975-77	997-1000
Previous	973-77	998-1000
High/low		1005/100
AM Offical	975-78	1000-05
Kerb close		1000-05
Open int.	2,725	
Total daily turnover	309	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	458-59	471-72
Previous	463-64	477-77.5
High/low	453	479/466
AM Official	453-53.5	466-6.5
Kerb close		469-70
Open int.	31,481	
Total daily turnover	5,164	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5235-45	5295-300
Previous	5295-305	5355-60
High/low	5203	5350-60
AM Official	5200-03	5270-75
Kerb close		5285-95
Open int.	50,619	
Total daily turnover	16,854	

■ TIN ($ per tonne)

	Cash	3 mths
Close	4795-805	4835-40
Previous	4770-80	4820-30
High/low		4850/4790
AM Official	4765-70	4810-15
Kerb close		4780-80
Open int.	16,112	
Total daily turnover	3,662	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	977-78	996-97
Previous	988-89	1007.5-08
High/low	972.5/972	1009/989
AM Official	972-72.5	991-1.5
Kerb close		996-97
Open int.	101,221	
Total daily turnover	32,178	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1735-36	1754-55
Previous	1749-50	1767-7.5

PRECIOUS METALS

Precious Metals continued

ENERGY

GRAINS AND OIL SEEDS

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jan	1217	+2	1215	1210	906	24
Feb	1253	+5	1250	1250	154	21
Mar	1270	-3	1270	1270	10	16
Apr	1293	+6	1282	1282	795	20
Jul	1160	-5	1160	1160	222	8
Oct	1290	-5	1282	1282	181	20
Total					2,168	109

	Close	Prev
BFI	1213	1213

WOOL

Although there will be no auction test of world wool values till next week, the market in the UK and other consuming countries is coming back to life after the holidays. Deliveries are going out reasonably well, and there is some buying interest from Continental Europe. Prices in several currencies are tending dearer because the US Dollar has been a little stronger, and the Australian dollar has improved against the US. With prices likely to tend dearer even if wool is unchanged in dollar terms, precautionary covering is indicated by some traders, and selling prices for wool tops are slightly higher

SOFTS

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	68.58	+0.25	69.38	68.10	27,035	6,069
May	69.78	+0.18	70.50	69.15	11,244	2,927
Jul	70.33	+0.15	71.10	70.00	6,861	1,126
Oct	67.75	+0.80	68.00	67.10	991	64
Dec	66.76	+0.60	66.95	66.05	6,216	972
Mar	67.80	+0.67	67.80	67.80	50	6
Total					52,413	11,164

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	108.75	-1.05	110.50	107.50	870	219
Mar	110.45	-2.15	113.50	109.10	12,344	1,639
May	112.95	-2.25	116.20	112.00	2,952	484
Jul	114.85	-2.45	117.00	116.40	1,109	118
Sep	116.50	-2.55	118.00	118.00	863	20
Nov	118.25	-2.55	-	-	148	21
Total					18,615	2,512

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 6	Jan 5	month ago	year ago
1686.5	1683.6	1650.8	1701.0

■ CRB (Base: 4/9/56=100)

Jan 5	Jan 4	month ago	year ago
227.31	226.74	-	201.62

MEAT AND LIVESTOCK

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1125	43	68	24	33
1150	31	54	36	44
1175	21	43	51	57
■ COPPER (Grade A) LME	Mar	Jun	Mar	Jun
1750	49	79	47	57
1800	29	56	76	83
1850	15	38	112	114
■ COFFEE LCE	Mar	May	Mar	May
1150	74	101	25	53
1200	45	75	46	77
1250	26	56	77	108
■ COCOA LCE	Mar	May	Mar	May
900	33	62	37	48
925	23	50	52	61
950	16	41	70	77
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1400	2	42	-	5
1450	3	18	-	45
1500	-	1	-	91

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	13.45-3.50w	+0.47
Brent Blend (dated)	14.74-4.76	+0.52
Brent Blend (Feb)	14.49-4.51	+0.42
W.T.I. (1pm est)	15.49-5.51w	+0.39

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	145-146	-0.5
Gas Oil	150-152	
Heavy Fuel Oil	57-59	+3
Naphtha	130-132	+0.5
Jet fuel	170-171	

Petroleum Argus Estimates

■ OTHER

Gold (per troy oz)♣	$388.75	-7.75
Silver (per troy oz)♣	507.5c	-17
Platinum (per troy oz.)	$389.50	-7.75
Palladium (per troy oz.)	$124.75	-2
Copper (US prod.)	85.0c	
Lead (US prod.)	35.0c	
Tin (Kuala Lumpur)	12.29r	+0.12
Tin (New York)	221.5	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	122.09p	+0.28*
Sheep (live weight)†♠	98.41p	+3.86*
Pigs (live weight)	64.07p	-6.61*
Lon. day sugar (raw)	$267.5	+1.1
Lon. day sugar (wte)	$287.5	+0.5
Tate & Lyle export	£291.50	+1
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£129.0z	
Wheat (US Dark North)	£175.0	
Rubber (Feb)♥	61.25p	
Rubber (Mar)♥	61.50p	
Rubber (KL RSS No1 Jul)	214.0m	+1.5
Coconut Oil (Phil)§	$625.0x	-12.5
Palm Oil (Malay.)§	$417.5z	
Copra (Phil)§	$432.5	
Soyabeans (US)	£207.0y	+2
Cotton 'A' index	65.35c	-0.4
Wooltops (64s Super)	347p	+5

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Apr w Feb. z Jan/Mar. v Sep/Oct. † Dec/Jan. x Feb/Mar. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,347 Set by QUARK

ACROSS

1 Doubt the motion for debate (8)
5 Solution to 1 across! (6)
9 Believers in little things miss a tot, surprisingly (8)
10 Looked hard at contribution to cost, a reduction (6)
11 Minister I vouch for (without hesitation) to restore to action (8)
12 Man set out for part of plant (6)
14 The firm's works is willing to assist (10)
18 Old driver getting encouragement about a dazzling display (10)
22 A boring installation (3,3)
23 Old warts to be treated? Take a chance (4,4)
24 Name what could be burnt as a figure (6)
25 To form the basis beneath the story (8)
26 Go round gallery after gold backing (6)
27 Demand recognition again regarding a banker, say (8)

DOWN

1 The source of information is hunted down (6)
2 There are no rights for gun to open out (6)
3 Nick hit out the day before (6)
4 Characters completely missing – being unwell? (3,2,5)
6 At an uprising, politician is swimming (8)
7 Firm acquaintance? (8)
8 When upset, Ned's sure to show incivility (8)
13 Form? You can put in one (10)
15 The vessel for the drink (8)
16 Polish protector? (5,3)
17 I'm associated with ten-nil defeat. It'll be rubbed in! (8)
19 Cleans up in the lotteries (6)
20 Miner's tailless dog (6)
21 Visual effect of cap set askew (6)

Solution 8,346

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

New York helps reverse early falls in London

By Terry Byland, UK Stock Market Editor

The London stock market turned in a resilient performance yesterday, when strength on Wall Street outweighed less encouraging factors on both the domestic and international economic fronts. Trading volume remained heavy and the second line stocks continued to attract attention. Once again, stock index futures provided a lead as the equity market gyrated nervously.

The Bundesbank's decision to leave rates unchanged was not unexpected in London. But it reinforced suggestions that the expected reduction in UK base rates may be held back until the spring.

In early trading, a record close overnight in New York proved insufficient to counter-balance a steep fall in Hong Kong and disappointing news on Christmas trading from a leading UK high street retailer of electrical goods. But further reports on the all-important Christmas season from the retailing sector were more favourable, and an early loss of nearly 24 points on the FT-SE 100 Index was swiftly reversed.

Institutions soon showed themselves unwilling to sell stock in the blue chips and, driven forward by the March contract on the Footsie and by a steadier trend in UK government bonds, share prices moved ahead sharply. Second line issues also continued to attract buyers.

The Footsie 3,400 mark was soon recovered as the Index peaked for the day above 3,407. Wall Street came in strongly again but London shaded off the top as the Dow slipped back from its early day high to show an early gain of 6.47.

Account Dealing Dates		
*First Dealings:		
Dec 13	Jan 4	Jan 17
Option Declarations:		
Dec 30	Jan 13	Jan 27
Last Dealings:		
Dec 31	Jan 14	Jan 28
Account Day:		
Jan 10	Jan 24	Feb 7

*New time dealings may take place from two business days earlier.

The final reading put the FT-SE 100 at 3,403, up 23.8. The FT-SE Mid 250 Index climbed 28.6 to a new closing peak of 3,849. The blue chip issues were led forward by strong gains in leading oil stocks as investors looked for a new meeting of the Opec countries this month which is expected to strive for oil production cuts and higher crude prices.

But there were also strong rises among the brewers, food manufacturers and leisure stocks, indicating that falls in these domestic sectors earlier this week had been overdone. "Investors are still unwilling to sell stocks," commented one leading dealer, "and this is enough to keep share prices solid."

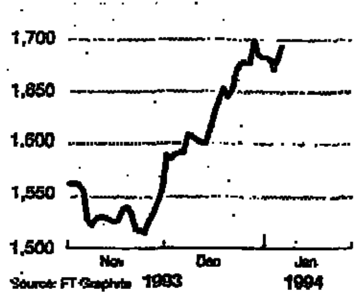
Seaq volume increased sharply to 1bn shares from Wednesday's 907.7m. Although business in the Footsie listed issues was helped along by arbitraging from the futures market, non-Footsie trading remained high, making up around 63 per cent of the day's Seaq total.

The market, nervously wondering whether Christmas retail trade would bear out predictions of economic recovery, was shaken in early deals by a gloomy report from Dixons, the retail store. But the tone steadied after more comforting news from Boots, also a high street retailer, and from Rhino Group, the electronic games group.

Traders said the stock market was still somewhat uncertain, pointing to a rash of bid speculation which threw up unlikely names including Reuters and Fisons.

The derivatives markets have continued to cast a deep shadow over equities this week, although there has not yet been any sign of further expiries of over the counter share option (OTC) deals, which badly upset the stock market at the end of last year. While views for the medium term remain optimistic, some traders fear the effects of OTC deals in the near term. Investors also appear cautious ahead of the January round of results from leading British companies.

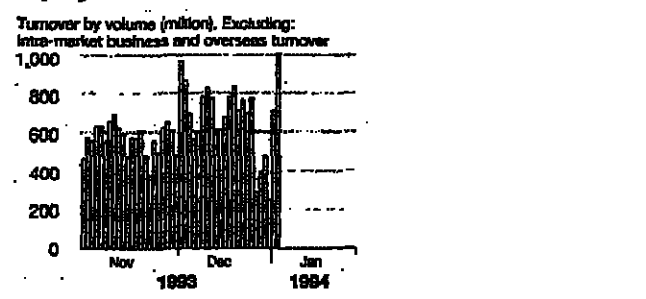
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ **Key Indicators**

Indices and ratios

FT SE 100	3403.0	+23.8	FT Ordinary Index	2580.5	+34.3
FT-SE Mid 250	3849.0	+28.6	FT-SE-A Non Fins p/e	22.13	(21.92)
FT-SE-A 350	1702.8	+12.1	FT-SE 100 Fut Mar	3424.0	+37.0
FT-SE-A All-Share	1683.61	+11.69	10 yr Gilt yield	6.26	6.27
FT-SE-A All-Share yield	3.36	(3.38)	Long gilt/equity yld ratio:	2.01	2.00

Best performing sectors		Worst performing sectors	
1 Oil Exploration	+4.0	1 Water	-1.8
2 Oil, Integrated	+3.7	2 Banks	-1.8
3 Retailers, Food	+3.5	3 Retailers, General	-0.9
4 Life Assurance	+3.3	4 Extractive Inds.	-0.8
5 Mineral Extraction	+2.9	5 Electronic & Elect	-0.6

Dixons shakes retailers

Worries over retail sales in the run-up to Christmas were confirmed yesterday as electrical retailer Dixons revealed poor first-half results and issued a profits warning.

Dixons shares dived on the news, which also sent shivers through the rest of the stores sector and initially pushed several leading stocks down. By the close, Dixons had plunged 43 to 240p, its biggest one-day fall since October 1987, with a hefty 13m shares traded.

With stores shares under pressure, there was growing expectations in the market that other retailers would be forced into making Christmas trading statements. Kingfisher was one widely tipped to make an announcement shortly. The stock tumbled 15 to 747p as investors worried over its Comet electrical division after Dixons warned that sales of computer games and camcorders had been weak. Also hit were Argos, off 3 at 374p, GUS, down 9 at 628p, and Burton, 1¼ adrift at 68½p.

Analysts moved quickly to cut 1994 profits forecasts for Dixons. BZW reduced its estimate by 15 per cent to £75m. Analyst Mr Tony Shiret said the main concern was Dixons' weak gross margins, which appeared to be under continuing pressure. UBS lowered its forecast back to £77m, while Panmure Gordon pulled its figure down to £70m. For the following year, the range was between £87m and £95m.

However, many other stores stocks later recovered as analysts digested the detail of the Dixons results, much of which was deemed specific to the group, and were then treated to improved figures from Boots. After being down 18 at one stage, its shares recovered to close just 5 off at 582p. High street clothes chains continued to be supported by market talk of better December sales and firmer margins.

TV stocks active

Media stocks were generally buoyant, with interest continuing on hopes that the government review of of the television sector would be sooner rather than later. But one casualty was Yorkshire-Tyne Tees TV, off 15 at 177p, after the collapse of merger talks with LWT. An analyst said the difficulty of divesting Tyne Tees could deter bids from other television companies.

The failure of the talks led one analyst to describe the hostile £670m takeover of LWT by Granada as "a fraction less than a foregone conclusion". LWT was up 22 at 648p and Granada added 14 at 553p.

Also affected was Anglia, as prospects of a bid for Tyne Tees receded and rumours of a takeover by MAI, which controls Meridian, the south of England franchise holder, revived. However, analysts said that Anglia was an attractive proposition, and MAI may not be the only interested party; Anglia shares were up 14 at 455p.

The firmer oil price led to strong buying activity for oil stocks. Enterprise Oil put on 18 at 463p, with a Smith New Court recommendation said to have also played a part in the day's advance. Turnover in BP rose to 10m as the shares firmed 16 to to 371p, and Shell Transport was also heavily dealt, with volume reaching 4.4m as the shares jumped 23 to 742p.

The sharp overnight retreat in the Hang Seng Index took its toll of several Hong Kong related stocks. The day's casualties included banking group HSBC, which relinquished 60 to 905p in trade of 6.6m shares, Cable and Wireless, 18 lighter at 504p, and Inchcape, which shed 4 to 551p.

Food retailers and manufacturers enjoyed a buoyant session as dealers reported some switching out of the retailers and into two of the worst performing market sectors of 1993. Gains were made across the board. Among manufacturers, Cadbury-Schweppes added 16 to 534p, Unigate 19 to 392p, Northern Foods 11 to 251p, United Biscuits 13 to 372p, Dalgety 18 to 510p and Hillsdown 11 to 178p. Turnover in supermarket operator Asda hit 49m as the shares lifted 1¾ to 62p. J Sainsbury climbed 13 to 461p, Tesco 9½ to 231½p and Kwik Save 11 to 617p.

Lesiure stocks too were firm as investors sought recovery plays. Thorn EMI was again a prominent feature as the shares followed Wednesday's rise of 21 with another hike of 33 to 1044p. Rank Organisation jumped 17 to 1031p, while Compass Group added 13 to 692p. News of record overseas holiday bookings sent the tour operators forward, Airtours gaining 4 to 496p and Owners Abroad 7 to 88p.

Bumper profits from Abbey National sent the shares forward 20 to 180p. TSB continued in demand ahead of next week's results. The shares added 6 to 247p.

Among composite insurers, a shortage of stock in Sun Alliance was credited with the day's advance in the shares. They added 19 to 411p. General buying in the sector saw Commercial Union finish 14 ahead at 661p. SG Warburg is said to be positive on the stock.

In the insurance brokers, Willis Corroon stood out, the shares boosted by a recommendation from Kleinwort Benson.

A broker's tip earlier this week continued to boost both TI Group and GKN. Shares in the former put on another 20 to 431p, while the latter rose 13 to 560½p.

Henderson Crosthwaite was again a heavy buyer of Rolls-Royce and the shares firmed 3 to 171p, after strong volume of 8m. Engineering group Siebe failed to capitalise on a positive presentation at Kleinwort Benson as large lines of stock remained on offer. The shares retreated 11 to 561p.

There was further profit-taking in the water sector. Hardest hit were Anglian, down 20 to 549p, North West and Thames each dropping 10 to 550p and 559p respectively, Southern down 9 to 639 and Severn Trent off 8 to 583p. Mr Peter Hyde at Kleinwort Benson forecast continuing volatility until the regulatory review in July. But longer term he remained optimistic, with the prospect of outperformance towards the end of the year.

Among transport stocks, British Airways' December passenger figures, up 9 per cent, boosted the shares 7 to 464p.

Strong buying of Reuters from agency broker Henderson Crosthwaite sent the shares sharply forward 38 at 1823p after good volume of 2.3m. Analysts were dismissive of bid rumours involving Reed International, down 10 at 894p.

Rackwood Mineral Holdings made an impressive debut. The shares closed 6 above the placing price at 46p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Clare Gascoigne.

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (401).

OTHER FIXED INTEREST (13) BANKS (6) Allied Irish, Bank Ireland, Mitsubishi Bank, Natl. Aust, Sumitomo, Tokai, BREWERIES (2) Regent Inns, Wetherspoon (J.D.), BUILDING & CNSTRN (12) BLDG MATLS & MCHTS (11) CHEMICALS (3) Akzo, BTP, Perstorp B, DISTRIBUTORS (13) DIVERSIFIED INDLS (13) ELEC & ELECT EQUP (11) ENGINEERING (20) ENG, VECHICLES (6) First Tech, GKN, Laird, Lucas Inds., Do. Warrants, Volvo, EXTRACTIVE INDS (31) FOOD MANUF (9) Assoc. Brit. Foods, Banks (S.C.), Bols Wessanen, Cadbury Schweppes, Devro, Greencore, Hillsdown, Matthews (B). Moran, GAS DISTRIBUTION (1) Calor, HEALTH CARE (3) Community Hospitals, Quality Care Homes, Takare, HOUSEHOLD GOODS (5) Colefax & Fowler, Mayborn, Osborne & Little, Paterson Zochonis, Do. A N/V, INSURANCE (11) INVESTMENT TRUSTS (75) INVESTMENT COMPANIES (11) LEISURE & HOTELS (10) Airtours, Do. Pf, Castle Comms, Compass, Granada, Do. Prf., Jurys Hotel, Rank, Stanley Leis, Thorn EMI, LIFE ASSURANCE (1) Transatlantic, MEDIA (18) MERCHANT BANKS (3) Close Bros, Hambros Prf., Singer & Friedlander, OIL EXPLORATION & PROD (2) Command Petlm, Dana Exp, OIL, INTEGRATED (4) Brit Petlm, Burmah Castrol, Norsk Hydro, Shell Trans, OTHER FINANCIAL (15) OTHER SERVS & BUSNS (2) Gen Motors Units, Nobo, PHARMACEUTICALS (2) Elan, Zeneca, PRTNG, PAPER & PACKG (15) PROPERTY (20) RETAILERS, FOOD (3) Farepak, Fitzwilton, Park Food, RETAILERS, GENERAL (8) Alldera, Argos, Bentalls, Christie, Moss Bros, Partridge Fine Arts, Smith (W. H.) 'B', Sothebys A, Vendome Lux Uts, SPIRITS, WINES & CIDERS (1) Matthew Clark, SUPPORT SERVS (6) BNB Res, Hays, Reed Exec, Reflex, Rolle & Nolan, Serco, TELECOMMUNICATIONS (2) GN Great Nordic, Securicor, TEXTILES & APPAREL (7) Abbeycrest, Allied Text, Brit Mohair, French (T), Hamlet, Hicking Pent, Jacques Vert, TRANSPORT (14) WATER (5) Chesm A, Do. B, East Surrey, Mid Kent, York Waterworks, AMERICANS (3) CANADIANS (3) NEW LOWS (33).

GILTS (8) OTHER FIXED INTEREST (1) DISTRIBUTORS (1) DIVERSIFIED INDLS (1) INSURANCE (1) INVESTMENT TRUSTS (1) INVESTMENT COMPANIES (3) MEDIA (1) OIL EXPLORATION & PROD (3) OTHER FINANCIAL (2) PRTNG, PAPER & PACKG (1) PROPERTY (1) SUPPORT SERVS (1) AMERICANS (6) SOUTH AFRICANS (2)

EQUITY FUTURES AND OPTIONS TRADING

Another brisk day in the London derivatives markets saw unexpected support from the US providing the opportunity for arbitrage trading in stock index futures, *writes Terry Byland.*

Although well below the best at the close, the March contract on the Footsie, at 3,424, was finally showing a premium of 20 points against cash, and comfortably above the fair value premium estimated at 13 points. Volume moved above 17,000 contracts after the official close of business.

After suffering heavily in early trading as London reacted to the overnight fall in Hong Kong, futures were turned higher by the appearance of US buyers, and at best the March contract touched 3,435, a premium of around 28 points to cash. Demand also came from the locals or independent traders, who hinted at rate prospects despite the Bundesbank's refusal to budge.

Traded options were a little calmer, with 50,792 contracts done compared with nearly 64,000 in the previous session. Business in the FT-SE contract dipped to 9,801 from 14,165, and the Euro FT-SE recorded only 8,164.

Among the individual stocks, HSBC (2,590 contracts) reacted sharply to the heavy fall in Hong Kong overnight. Food retailers traded actively, with Sainsbury recording 1,216 deals and Tesco 4,397. Dixons (1,178) saw traders reacting to the sharp fall in the shares following disappointing results.

Also busy were options in BTR as the market in the shares continued to take hold of news that a senior board member had sold stock. Overall, the preponderance of calls at 32,620 suggested an optimistic market.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	3373.0	3424.0	+37.0	3435.0	3372.0	16524	64400
Jun	3400.0	3435.5	+37.0	3441.5	3400.0	1001	2013
Sep	3445.0	3454.0	+9.0	3445.0	3445.0	100	0

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3405) £10 per full index point

	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P
Jan	218½	2½	168½	4	122½	8	79½	17	44	33½	21	63½	8½	101½	3	146½
Feb	230	11	185½	16½	143½	24	107	37½	76	56½	50	81½	30½	113	17	151½
Mar	242½	21½	200½	29	163½	41½	127	55½	97	75	71	99	48½	127	32½	163
Apr	252½	30½	213½	41½	176	53	142½	69½	112½	89½	87	114½	65½	143½	48	177
Jun†	277½	46			209½	73½			142	111			94½	163½		

Calls 5,425 Puts 4,026

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P
Jan	285½	1½	236½	2½	188½	3	142½	6½	97½	10½	59½	22½	32	45½	14½	77½
Feb	298½	6	253	9	208	13½	165½	20½	126	31	91	45½	62	66½	39½	93½
Mar	306	12½			220½	29½			143½	46			82	83½		
Jun	335	32½			256½	51½			188	80½			130	120		
Sept†	366½	50			292	71½			226	102			169½	142		

Calls 5,611 Puts 2,603 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT-SE Actuaries Share Indices — The UK Series

	Jan 6	Day's chge%	Jan 5	Jan 4	Dec 31	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3403.0	+0.7	3379.2	3408.5	3418.4	2816.5	3.46	5.12	24.26	0.71	1246.59
FT-SE Mid 250	3849.0	+0.7	3820.4	3799.4	3791.3	2940.3	3.17	4.93	25.01	4.04	1397.04
FT-SE Mid 250 ex Inv Trusts	3841.2	+0.9	3808.4	3787.5	3777.3	2963.5	3.28	5.30	23.47	4.03	1389.67
FT-SE-A 350	1702.8	+0.7	1690.7	1700.0	1703.0	1384.7	3.39	5.06	24.43	0.68	1277.69
FT-SE SmallCap	1896.99	+0.5	1887.98	1874.73	1868.68	1410.20	2.88	3.64	35.37	0.98	1439.08
FT-SE SmallCap ex Inv Trusts	1848.48	+0.6	1836.75	1825.29	1818.15	1417.70	3.07	4.05	32.48	1.03	1404.70
FT-SE-A ALL-SHARE	1683.61	+0.7	1671.92	1679.71	1682.17	1362.73	3.36	4.99	24.93	0.68	1285.68

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	49,000	62	+2
Abbey National†	2,800	491	-2
Albert Fisher	3,400	71	+3
Allied-Lyons†	1,400	665	+10
Anglian Water†	2,700	549	-20
Argos	1,900	374	-3
Argyll Group†	10,000	289	+15
Arjo Wiggins†	292	238	
Assoc. Brit. Foods†	635	572	+3
Ass. Brit. Ports	88	551	+3
[illegible]			

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

TRADITIONAL OPTIONS

[illegible]

LONDON SHARE SERVICE

BANKS

Notes	Price	+ or −	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£25¼	−⅛	£25¼	£18¼	7,035	4.1	13.4
ANZ A$	221	−2	228½	130	2,891	4.1	♦
Abbey National †□	491	−2	524	345	6,437	3.0	18.9
Allied Irish I£	306	+6	306	179	2,014	3.4	15.8
Anglo Irish I£	60xr	+1	*60	28	146.0	7.0	♦
Asahi Y	657	—	844	415	15,243	0.7	−
Banco Bil Viz Pta	£14¾		£17¾	£13¾	3,407	6.6	8.8
Banco Sant Pta	£30½		£36	£24	3,368	4.3	11.5
Bank Leumi (UK)	375	—	375	325	29.8	5.7	−
Bk Ireland I£	305	+2	*305	177	1,434	4.1	22.5
Bank Scotland †□	220	+5	240½	116½	2,554	2.7	29.9
9¼pc Pf	138½	—	140¼	117¾	138.8	8.3	−
9¾pc Pf	145½	—	147¼	123½	146.5	8.4	−
Barclays □	617	+3	662	362	10,007	2.5	−
Dai Ichi Kan Y	1061	+6	1585	857	33,731	0.5	59.6
Deutsche DM	£331¼	−6⅝	£348⅞	£250½	15,800	1.9	−
Espirito Santo	£23¾	−¼	£24	£16½	250.0	3.5	5.5
First Nat Fin Z□	61	+½	*65	45	99.7	1.0	−
6.3pc Cv Pf	78xd	—	*81	55	5.24	10.1	−
7pc Cv Pf	123xd	—	167½	106	58.4	7.1	−
Fuji Bank Y	1401	—	1691	876	40,685	0.4	−
HSBC HK †□	921	−61	1007	474	15,723	2.7	22.0
HSBC (75p Shs) †□	905	−60	987	490	7,430	2.8	21.7
Lloyds †□	640	−2	690	492	8,217	3.7	18.3
Mitsubishi Y	£15¾		£19¼	£11⅞	46,356	0.3	−
Mits Tst & Bk Y	£7⅛	+¼	£10⅛	£4⅝	9,278	0.7	11.4
Mitsui Tst & Bk Y	535	+21	662	374	6,410	1.0	18.2
Nat Aust A$	573	+6	575	322	7,530	4.0	♦
NatWest †□	604	+6	634	398	10,039	3.7	36.7
Ottomane FFr	£28½		£28½	£23¼	142.5	5.3	8.4
Ryl Bk Scotland □	451	+8	470	207	3,580	3.0	20.4
Sakura Y	£8⅞	+⅛	£11	£5¾	28,410	0.6	55.4
Sanwa Y	£12⅛	—	£16	£7¾	35,885	0.4	−
Standard Chartd †□	1210	−16	1263	576	2,881	2.1	−
Sumitomo Y	£11⅝	—	£16¼	£8⅝	38,511	0.5	25.0
Sumitomo Tst Y	£8⅞	+¼	£9⅞	£4⅞	8,551	0.8	53.9
TSB □	247	+6	280	145½	3,749	3.2	−
Tokai Y	£8⅞	—	£9⅞	£4⅞	13,983	0.8	45.9
Toyo Tst & Bk Y	698	−1	840	411	4,700	0.8	53.3
Westpac A$	211	—	214	121	3,699	2.8	♦
Yasuda Tst Bk Y ‡	453	+8	690	343	4,996	1.1	40.4

BREWERIES

Notes	Price	+ or −	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs □	6	—	10½	4½	21.2	−	−
Bass qN□	570	+22	647	441	4,947	4.3	15.5
Boddington †□	282	+2	289	169	340.1	3.4	16.4
Burtonwood	184	+5	184	129	38.3	3.2	15.4
Eldridge,Pope A	143xd	+1	145	75	27.8	3.1	♦
Fosters A$	63½	−1½	78½	50	2,044	4.3	♦
Fuller STA †	430xd	+5	435	338	87.3	2.2	18.4
Gibbs Mew †	403	—	403	148	25.9	2.6	19.8
Greenalls □	465xd	−3	475	347	970.5	3.3	16.0
Greene King †N□	561xd	−2	575	505	283.1	2.8	15.4
Grosvenor Inns	143	−3	148	78	11.6	3.7	19.2
Holt (J) †	3138	—	3138	2538	94.1	1.7	20.4
Hoskins □	75	—	80	33	4.38	−	54.0
Kirin Y	712	+10	868½	690	7,493	0.8	26.9
Mansfield †N	246	—	249	184	157.4	2.0	17.6
Marston Thomp. †N□	273	—	299	231	247.3	2.5	15.2
Morland N	513	—	580	455	110.3	2.4	17.6
Paramount □	10¼	−¼	12	6¼	6.15	2.1	♦
Regent Inns N	224	+2	224	145	32.8	2.5	22.7
Scott & New †N□	537xd	+8	*584	393	2,846	4.0	16.5
United Breweries □	8	—	12	7	12.1	−	−
Vaux □	268xd	−1	283	213	372.3	4.4	♦
Wetherspoon (J.D.) N□	377	+6	377	225	118.1	1.8	29.3
Whitbread †N□	571	−1	592	435	2,989	3.9	13.7
Wolv & Dudley □	526	—	613	463	348.2	3.0	♦
N/V †	425	+2	460	415	24.2	4.3	17.6
Young A †	486	+3	515	475	14.2	3.8	20.2

BUILDING & CONSTRUCTION

Notes	Price	+ or −	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Abbey I£	180	+20	180	73	68.7	1.4	29.2
Allen M	153	−3	160	87	48.8	4.1	34.7
AMEC □	125	−1	128	65	252.8	3.0	23.1
6½p Cv Pf	107½	—	108	70	218.8	7.7	−
Amco Corp	51	—	76	38½	5.50	−	−
Andrews Sykes N□	68	—	146	65	9.70	5.5	−
Anglia Sec □	9½	—	12	4	3.14	−	−
Arcadian Intl	38	—	47	35	26.9	−	−
Ashtead q□	339	+2	*339	150	101.7	1.7	35.9
Avonside †□	149	—	152	88	64.7	3.4	30.6

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING VECHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL

PROPERTY - Cont.

SPIRITS, WINES & CIDERS - Cont.

TRANSPORT - Cont.

SUPPORT SERVICES

WATER

LIFE ASSURANCE

AMERICANS

MEDIA

OTHER SERVICES & BUSINESSES

TELECOMMUNICATIONS

CANADIANS

INVESTMENT COMPANIES

RETAILERS, FOOD

TEXTILES & APPAREL

PHARMACEUTICALS

MERCHANT BANKS

PRINTING, PAPER & PACKAGING

RETAILERS, GENERAL

OIL EXPLORATION & PRODUCTION

LEISURE & HOTELS

TOBACCO

TRANSPORT

PROPERTY

OIL, INTEGRATED

SPIRITS, WINES & CIDERS

SOUTH AFRICANS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£13½	......	£13½	£7½	805.4	5.2	11.2
Barlow Rand		£8¹³⁄₁₆	+⅛	£10⅝	£5½	1,705	4.0	ɸ
Gold Fields SA R		1768	–20	1800	725	1,705	2.3	29.3
NK Props		90	......	97	68	3.82	15.1	ɸ
SASOL		291	......	308	215	1,648	5.3	–
SA Brews		1482	+2	1521	753	8,016	1.9	24.5
Tiger Oats		813	......	813	513	1,221	2.0	17.2
Tongaat-Hulett	†	471xd	......	472	212	352.5	3.2	13.1

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on RMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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An international service is available for callers outside the UK, annual subscription £250 stg.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Royal Heritage Life Assurance Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Gartmore Funds				
British	399.6	420.6	-2.7	-
European	250.0	263.2	-0.8	-
Frontier Markets	231.6	243.8	+2.4	-
Global Bond	120.1	126.5	-	-
Gold Intl Resources	102.6	108.5	-0.7	-
High Inc	318.8	335.5	+2.2	-
Hong Kong	536.6	564.9	-28.5	-
Income	460.7	485.0	-0.6	-
Japan	395.1	415.9	-4.9	-
UK Smlr Cos	325.8	343.0	+0.4	-
Man Gth	491.3	517.2	-2.7	-
Global Inc & Gwth	185.0	194.8	-0.1	-
Pacific Growth	417.6	439.6	-15.8	-
INVESCO MIM				
European Smaller	183.1	192.6	-0.7	-
Sth & East Asia Gwth	404.0	425.3	-37.0	-
Inc Growth	330.7	348.2	+1.2	-
Japan Smlr Cos	238.0	250.6	+2.0	-
Man Growth	271.2	285.5	-0.3	-
Gilt	88.9	93.6	-0.2	-
Perpetual Funds				
International Growth	177.9	187.3	-	-
American Growth	223.7	235.5	+2.3	-
Intl Emerging Cos	272.0	286.4	+0.1	-
European	201.4	212.0	-0.1	-
Managed	205.0	215.8	+0.4	-

Royal Life Insurance Ltd
New Hall Place, Liverpool L69 3HS 051-239 3000

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Shield Fd.	973.4	1030.0	-	-
Royal Life (Unit Linked Assurances) Ltd				
Managed Fund	388.20	408.60	-1.5	-
Equity Fund	556.1	585.3	-1.7	-
Property Fund	306.4	322.5	-	-
International Fund	480.7	506.0	-1.7	-
Gilt Fund	382.2	402.3	-1.6	-
Money Fund	216.6	227.9	-	-
United States Fund	252.6	265.8	+0.2	-
Pacific Basin	302.9	318.8	-2.6	-
Royal Life (Unit Linked Pension Fds) Ltd				
Exempt Man Fd Acc	479.0	504.2	-1.7	-
Exempt Equity Fd Acc	836.7	880.7	-1.8	-
Exempt Prop Fd Acc	315.3	331.9	-	-
Exempt Intl Fd Acc	796.3	837.8	-3.5	-
Exempt Gilt Fd Acc	455.7	479.6	-2.2	-

Scottish Provident Group - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Other Funds				
SSB Select Managed	126.3	133.0	-0.1	-
SNM Superior Growth	227.9	239.9	+0.2	-
SNM Superior Distribution	118.4	124.7	-0.4	-
KSJ Hovers Managed Pens	135.6	142.8	-0.3	-
Capital Income & Growth	149.9	157.8	+0.8	-
Cap Retirement P'folio	213.2	224.5	+1.0	-
JRJ Managed Pens	188.7	198.7	+0.7	-
Tomkinson Retirement P'folio	142.5	150.0	+0.7	-
Invest Bureau Inc & Gwth	118.6	124.9	-0.6	-

Scottish Widows' Group
PO Box 902, Edinburgh EH16 5BU 031-655 6000

	Bid Price	Offer Price	+ or -	Yield Gross
Inv Pol 1 Dec 31	984.9	984.9	-	-
Inv Pol 2 Dec 31	887.2	844.5	-	-
Inv Pol 3 Dec 31	861.6	907.1	-	-
Inv Pol Cash Ser 2 Dec 31	304.6	320.7	-	-
Inv Pol Cash Ser 3 Dec 31	300.9	318.9	-	-
Mixed Fund	575.3	600.5	+9.8	-
Equity Fund	852.9	892.1	+4.7	-
Property Fund	224.6	236.4	-	-
International Fund	500.6	527.1	-3.0	-
Fixed Int. Fund	401.4	422.6	-0.5	-
Index Stk. Fd.	211.8	223.0	-0.6	-
Cash Fd.	221.6	233.4	+0.1	-
Pens. Mixed Fd. Ord.	626.0	661.2	+1.8	-
Pens. Equity Fd. Ord.	747.7	786.5	+7.0	-
Pens. Prop. Fd. Ord.	304.1	320.2	-	-
Pens. Intl. Fd. Ord.	653.6	688.0	-4.3	-
Pens.Fxd.Int.Fd.Ord.	600.6	632.7	-1.4	-
Pens.Ind.Stk.Fd.Ord.	249.8	262.9	-0.8	-
Pen. Cash Fd. Ord.	338.4	356.3	+0.1	-
Building Society	97.4	102.6	-	-
PM Man	3027.1	3027.1	-7.6	-
PM St Ex	3220.9	3220.9	-8.4	-
PM St Br Eq	137.8	137.8	-0.4	-
PM St Ex Fi	151.5	151.6	-0.4	-
PM Property	279.4	279.4	+0.1	-
PM Pens Protection	213.5	213.5	-0.8	-
PM IL Protection	132.5	132.5	-0.3	-
PM Cash	365.7	365.7	-	-

Skandia Life Assurance Co Ltd (z)
Skandia Hse, Portland Terr, Southampton 0703 334411
Skandia Price Line 0800 161396

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Funds				
Skandia Cautious	147.3	156.0	+0.6	-

TSB Life Ltd
Charlton Pl, Andover, [illegible]

Target Life Assurance Co Ltd
The Exchange, 86 [illegible]

Teachers' Assurance

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Citibank - Contd.

Citibank N.A.

Coutts & Co (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

CMI Asset Management - Contd.

Comgest SA

Commercial Union Luxembourg SA (u)

Lloyds Bank Luxembourg

Midland International Circuit Fund SICAV(a)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Bundesbank delays cuts

The D-Mark dominated money market attention yesterday, after the Bundesbank decided against cutting German interest rates, *writes Gillian Tett.*

With the markets convinced that cuts have only been delayed, rather than abandoned, the move failed to boost the German currency. And in spite of the Bundesbank's attempt to stabilise the German money markets with a fixed repo rate, these seem set to remain volatile in the coming weeks.

● The Bundesbank's decision to leave its discount and Lombard rates unchanged at 5.75 per cent and 6.75 per cent respectively had been widely predicted, and in spite of the recent weakening of the D-Mark against the dollar, there were no dramatic currency moves yesterday.

Though the D-Mark firmed against the dollar after the announcement, it closed at DM1.7397, slightly down on the previous day. Further movement seems set to be dollar rather than D-Mark led, with the publication of US non-farm payroll figures today.

The more surprising announcement was the Bundesbank's decision to retain a fixed repo rate of 6.00 per cent for two weeks – a move which underlined the problems that German money market volatility is now posing. Indeed, Ms Alison Cottrell, of Midland Global Markets, believes concern about this volatility, rather than D-Mark weakness, may have guided the Bundesbank's decision yesterday.

The volatility primarily stems from the gradual abolition of the "Chapter 17" practices on German money markets, which previously allowed the Bundesbank to use government funds deposited with it to provide temporary liquidity for the markets. In exchange, government institutions enjoyed favourable overdraft facilities. But new European regulations abolished these facilities six *days ago, depriving the Bund*esbank of a key source of liquidity.

The freeing of these funds has fuelled market volatility. With the market confident that German rates will fall soon, there is strong downward pressure on money market rates. Three-month money was yesterday priced at 5.81 per cent.

If the Bundesbank had left the repo rate variable, it could have fallen below the discount rate, Keith Edmonds, chief analyst at IBJ International pointed out.

But Ms Cottrell believes that the Bundesbank's decision to *fix the repo rate only until the* next council meeting on January 20 has "left it in a hole".

"Money market rates could fall below the discount rate or even go up to seven per cent, particularly towards the end of the month," said Ms Cottrell, who believes that the instability could continue into February.

● As a sign of the scepticism generated by the Bundesbank's *decision, the D-Mark dipped* against many European currencies yesterday, though the Netherlands and Belgium joined Austria and Denmark in cutting their own rates in spite of Germany.

The Belgium franc firmed slightly against the D-Mark, to Bfr20.70 from Bfr 20.75 the previous day, after the Belgium Central Bank cut its central rate to 7.10 per cent, from 7.25 *per cent.*

In Denmark, the Danish Central Bank lowered its 14-day repo rate to 6.50 per cent from 6.75, following its ¼ per cent cut in its discount and deposit rates on Wednesday. The kroner was unchanged, closing at DM2.576. The Dutch guilder also remained firm against the *D-Mark* after the Dutch Central Bank cut its Lombard special advances rate to 5.5 per cent from 5.6 per cent.

Meanwhile the French franc strengthened against the D-Mark to FFr3.3933, from *3.3952 in the morning after the* Bundesbank's decision. It later softened to FFr3.396.

The move came after the Bank of France announced that its intervention rate for securities repurchase tender would remain unchanged at 6.20 per cent, the level it has been since December 3.

It announced that it had drained a net FFr40bn from the money market.

● One currency that the D-Mark did gain strongly against yesterday was the beleaguered Spanish peseta, which weakened to Pta 83.51 per D-Mark, from Pta83.13 at the previous day's close.

The peseta's fall is noteworthy since it has now broken ranks with the other "high yielding" currency, the Italian lira, says Mr Avinash Persaud, currency analyst at J.P. Morgan.

Unlike the lira, which has risen in recent days, the peseta is unlikely to improve until the Bundesbank eases pressure on the Spanish currency by cutting German rates, he thinks. "The fiscal and banking problems developing in Spain now are of a considerably worse order than elsewhere in Europe," he said.

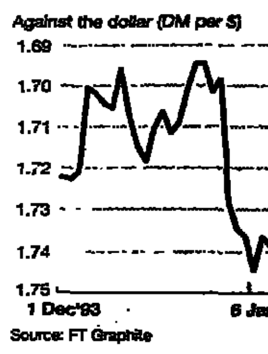
A report published by the Spanish Economic and Social *Council yesterday predicted* only modest signs of recovery in Spain this year, and bleak prospects for cutting the budget deficit and unemployment. Reports that the Bank of Spain will meet leading Spanish bank chairmen to discuss the Banco Espanol de Credito-Banesto further unsettled markets.

● Sterling briefly touched a six-month high against the D-Mark yesterday, of DM2.5903, *though it later closed at* DM2.5886.

The Bank of England forecast a shortage of £1.6bn in its daily money market operations, before removing most of this by purchasing bills at 5⅜ per cent.

D-Mark

Against the dollar (DM per $)



Source: FT Graphite

■ Pound in New York

Jan 6	Latest	Prev. close
£ spot	1.4842	1.4875
1 mth	1.4812	1.4846
3 mth	1.4787	1.4799
1 yr	1.4652	1.4690

POUND SPOT FORWARD AGAINST THE POUND

Jan 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.1960	+0.0231	862 - 058	18.2133	18.1586	18.1997	-0.2	18.2091	-0.3	-	-	113.5
Belgium	(BFr)	53.6491	-0.023	976 - 006	53.7518	53.5423	53.7241	-1.7	53.8391	-1.4	54.1091	-0.9	113.4
Denmark	(DKr)	10.0541	+0.0093	481 - 600	10.0602	10.0336	10.0633	-1.8	10.0945	-1.6	10.1494	-0.9	115.3
Finland	(FM)	8.5547	+0.0093	369 - 724	8.6130	8.5204	-	-	-	-	-	-	80.3
France	(FFr)	8.7919	+0.0187	874 - 963	8.7963	8.7536	8.8	-1.1	8.8119	-0.9	8.8216	-0.3	108.0
Germany	*(DM)*	*2.5886*	*+0.0025*	*872 - 900*	*2.5936*	*2.5815*	*2.59*	*-0.6*	*2.5916*	*-0.5*	*2.5903*	*-0.1*	*122.5*
Greece	(Dr)	372.075	+0.859	726 - 423	373.018	371.000	-	-	-	-	-	-	-
Ireland	(I£)	1.0431	+0.0013	420 - 441	1.0502	1.0391	1.0439	-0.9	1.045	-0.7	1.0479	-0.5	103.6
Italy	(L)	2512.55	-5.33	097 - 412	2517.48	2502.73	2519.05	-3.1	2530.8	-2.9	2576.60	-2.5	76.8
Luxembourg	(LFr)	53.6491	-0.023	976 - 006	53.7518	53.5423	53.7241	-1.7	53.8391	-1.4	54.1091	-0.9	113.4
Netherlands	(Fl)	2.8925	+0.0015	908 - 942	2.8992	2.8879	2.8927	-0.1	2.8932	-0.1	2.8828	0.3	118.3
Norway	(NKr)	11.1456	-0.005	403 - 508	11.1945	11.0316	11.1615	-1.7	11.1594	-0.5	11.1458	0.0	85.3
Portugal	(Es)	262.830	+0.626	693 - 167	263.167	262.141	264.325	-6.4	266.945	-6.1	-	-	-
Spain	(Pta)	216.244	+1.095	985 - 502	216.502	215.180	216.979	-4..	216.2631	0.0	222.414	-2.9	83.1
Sweden	*(SKr)*	*12.1651*	*-0.0253*	*736 - 966*	*12.2332*	*12.1168*	*12.2106*	*-2.5*	*12.2408*	*-1.8*	*12.3611*	*-1.4*	*76.3*
Switzerland	(SFr)	2.1941	-0.0057	926 - 955	2.2037	2.1947	2.1916	1.4	2.1864	1.4	2.1613	1.5	117.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.2
Ecu	-	1.3328	+0.0012	320 - 335	1.3337	1.3300	1.334	-1.1	1.3359	-0.9	1.3386	-0.4	-
SDR†	-	0.922897	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4848	+0.0015	842 - 854	1.4862	1.4803	-	-	-	-	-	-	-
Brazil	(Cr)	516.687	+8.61	490 - 844	517.000	507.000	-	-	-	-	-	-	-
Canada	(C$)	1.9672	+0.0122	659 - 684	1.9681	1.9565	1.9644	1.7	1.9599	1.5	1.9494	0.9	91.9
Mexico	(New Peso)	4.6203	+0.0052	172 - 233	4.6235	4.6071	-	-	-	-	-	-	-
USA	($)	1.4880	+0.0016	875 - 885	1.4893	1.4833	1.4851	2.4	1.4804	2.0	1.4687	1.3	67.7
Pacific/Middle East/Africa													
Australia	(A$)	2.1747	+0.0119	731 - 762	2.1788	2.1655	2.1727	1.1	2.1707	0.7	2.171	0.2	-
Hong Kong	(HK$)	11.4933	+0.0142	887 - 979	11.5026	11.4578	11.4707	2.4	11.4382	1.9	11.3585	1.2	-
India	(Rs)	46.6786	+0.0518	592 - 980	46.7160	46.5420	-	-	-	-	-	-	-
Japan	(Y)	167.482	-0.119	359 - 605	168.410	166.800	167.042	3.2	166.142	3.2	162.017	3.3	175.1
Malaysia	(M$)	3.9149	+0.0088	121 - 177	3.9169	3.8938	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6780	+0.0239	734 - 798	2.6781	2.6571	2.6795	-1.6	2.6816	-0.8	2.6828	-0.3	-
Philippines	(Peso)	41.2178	+0.0458	063 - 292	40.7413	41.3534	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5800	+0.0062	774 - 826	5.5841	5.5624	-	-	-	-	-	-	-
Singapore	(S$)	2.3694	-0.0077	678 - 709	2.3779	2.3640	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0570	+0.0068	538 - 602	5.0599	5.0446	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3984	-0.0636	838 - 080	6.4841	6.3672	-	-	-	-	-	-	-
South Korea	(Won)	1210.20	+2.76	964 - 075	1211.10	1206.28	-	-	-	-	-	-	-
Taiwan	(T$)	39.5139	-0.0082	931 - 346	39.5400	39.3900	-	-	-	-	-	-	-
Thailand	(Bt)	38.0482	+0.0422	205 - 758	38.0670	37.9383	-	-	-	-	-	-	-

†SDR rate for Jan 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.
Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Morgan G'ty index
Europe													
Austria	(Sch)	12.2285	+0.002	260 - 310	12.2380	12.2010	12.2585	-2.9	12.2885	-2.0	12.3785	-1.2	103.0
Belgium	(BFr)	36.0545	-0.0555	320 - 770	36.1800	35.9900	36.1745	-4.0	36.3645	-3.4	36.8345	-2.2	102.9
Denmark	(DKr)	6.7568	-0.0012	550 - 585	6.7696	6.7430	6.7758	-3.6	6.8093	-3.1	6.8943	-2.0	104.2
Finland	(FM)	5.7491	-0.0001	391 - 591	5.8000	5.7242	5.7616	-2.6	5.7791	-2.1	5.8241	-1.3	75.0
France	*(FFr)*	5.9085	+0.006	075 - 095	5.9180	5.8920	5.9255	-3.5	5.9517	-2.9	6.005	-1.6	104.7
Germany	(D)	1.7397	-0.0002	393 - 400	1.7430	1.7350	1.7441	-3.0	1.7505	-2.5	1.7626	-1.3	104.2
Greece	(Dr)	250.050	+0.3	900 - 200	250.700	249.600	253.9	-18.5	261.35	-18.1	295.05	-18.0	71.8
Ireland	*(I£)*	*1.4268*	*-0.0001*	*256 - 275*	*1.4298*	*1.4141*	1.4225	3.4	1.4185	2.8	1.4016	1.8	-
Italy	(L)	1688.54	-5.46	805 - 903	1693.50	1682.44	1696.19	-5.4	1709.34	-4.9	1753.99	-3.9	77.2
Luxembourg	(LFr)	36.0545	-0.0555	320 - 770	36.1800	35.9900	36.1745	-4.0	36.3645	-3.4	36.8345	-2.2	102.9
Netherlands	(Fl)	1.9439	-0.0011	434 - 444	1.9497	1.9412	1.9478	-2.4	1.9532	-1.9	1.9624	-1.0	103.7
Norway	(NKr)	7.4903	-0.0117	893 - 913	7.5348	7.4540	7.5053	-2.4	7.5303	-2.1	7.6378	-2.0	95.2
Portugal	(Es)	176.700	+0.225	600 - 800	176.920	176.400	177.95	-8.5	180.19	-7.9	187.7	-6.2	94.0
Spain	(Pta)	145.325	+0.575	200 - 450	145.450	145.000	146.105	-6.4	147.345	-5.6	151.41	-4.2	78.9
Sweden	(SKr)	8.1689	-0.0261	839 - 939	8.2263	8.1480	8.2214	-4.8	8.2651	-3.7	8.4064	-2.7	80.7
Switzerland	(SFr)	1.4745	-0.0055	740 - 750	1.4812	1.4680	1.4756	-0.9	1.4767	-0.6	1.4713	0.2	103.6
UK	(£)	1.4880	+0.0016	875 - 885	1.4893	1.4833	1.4851	2.4	1.4804	2.0	1.4687	1.3	91.3
Ecu	-	1.1165	+0.0003	162 - 167	1.1186	1.1143	1.1133	3.4	1.1084	2.9	1.098	1.7	-
SDR†	-	1.37161	-	-1	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9979	-0.0001	978 - 979	0.9979	0.9978	-	-	-	-	-	-	-
Brazil	(Cr)	347.223	+5.408	220 - 225	347.230	347.220	-	-	-	-	-	-	-
Canada	(C$)	1.3220	+0.0067	216 - 224	1.3230	1.3175	1.3227	-0.6	1.3237	-0.5	1.327	-0.4	88.5
Mexico	(New Peso)	3.1050	-	040 - 060	3.1060	3.1040	3.1067	-0.7	3.1108	-0.7	3.125	-0.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.0
Pacific/Middle East/Africa													
Australia	(A$)	1.4615	+0.0064	609 - 620	1.4650	1.4582	1.4627	-1.0	1.4657	-1.1	1.4738	-0.8	86.6
Hong Kong	(HK$)	7.7240	+0.001	235 - 245	7.7248	7.7230	7.7275	-0.5	7.7305	-0.3	7.7377	-0.2	-
India	(Rs)	31.3700	-	675 - 725	31.3750	31.3675	31.45	-3.1	31.655	-3.6	-	-	-
Japan	(Y)	112.555	-0.205	510 - 600	113.400	112.350	112.48	0.8	112.215	1.2	110.29	2.0	137.6
Malaysia	(M$)	2.6310	+0.003	300 - 320	2.6320	2.6205	2.634	-1.4	2.642	-1.7	2.6835	-2.0	-
New Zealand	(NZ$)	1.7984	+0.0174	973 - 995	1.8044	1.7883	1.7997	-0.9	1.8027	-1.0	1.8109	-0.7	-
Philippines	*(Peso)*	*27.7000*	-	*000 - 000*	*27.9000*	*27.5000*	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7500	-	495 - 505	3.7505	3.7495	3.7585	-2.7	3.77	-2.1	3.79	-1.1	-
Singapore	(S$)	1.5923	-0.007	918 - 928	1.5998	1.5910	1.5906	1.3	1.5888	0.9	1.5948	-0.2	-
S Africa (Com.)	(R)	3.3985	+0.0007	975 - 995	3.4020	3.3975	3.4148	-5.8	3.4438	-5.3	3.5507	-4.5	-
S Africa (Fin.)	(R)	4.3000	-0.0475	950 - 050	4.3500	4.2900	4.327	-7.5	4.385	-7.9	-	-	-
South Korea	(Won)	813.300	+0.95	200 - 400	814.500	811.600	816.3	-4.4	819.8	-3.2	838.3	-3.1	-
Taiwan	(T$)	26.5550	-0.035	500 - 600	26.5700	26.5100	26.6139	-2.7	26.735	-2.7	-	-	-
Thailand	(Bt)	25.5700	-	600 - 800	25.6900	25.5500	25.5975	-1.3	25.645	-1.2	26.095	-2.1	-

†SDR rate for Jan 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for Jan 5. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan.6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.73	16.39	4.826	1.944	4684	5.392	20.78	490.0	403.0	22.70	4.069	1.864	3.688	2.774	312.2	2.485
Denmark	(DKr)	53.38	10	8.748	2.576	1.038	2500	2.879	11.09	261.6	215.1	12.12	2.183	0.995	1.957	1.481	166.7	1.326
France	(FFr)	61.02	11.43	10	2.945	1.186	2858	3.290	12.68	299.0	245.9	13.85	2.495	1.137	2.237	1.692	190.5	1.516
Germany	(DM)	20.72	3.882	3.396	1	0.403	970.6	1.117	4.307	101.5	83.51	4.705	0.847	0.386	0.760	0.576	64.70	0.515
Ireland	(I£)	51.44	9.636	8.430	2.482	1	2409	2.774	10.69	252.1	207.3	11.68	2.104	0.959	1.886	1.427	160.6	1.278
Italy	(L)	2.135	0.400	0.350	0.103	0.042	100.	0.115	0.444	10.46	8.603	0.485	0.087	0.040	0.078	0.059	6.665	0.053
Netherlands	(Fl)	18.54	3.474	3.039	0.895	0.361	868.6	1	3.854	90.87	74.73	4.210	0.758	0.346	0.680	0.514	57.90	0.461
Norway	(NKr)	48.12	9.013	7.885	2.322	0.935	2264	2.595	10	235.8	193.9	10.92	1.968	0.897	1.764	1.335	150.2	1.196
Portugal	(Es)	20.41	3.823	3.344	0.985	0.397	955.9	1.100	4.241	100.	82.24	4.633	0.835	0.380	0.748	0.566	63.71	0.507
Spain	(Pta)	24.81	4.648	4.067	1.198	0.482	1162	1.338	5.157	121.6	100.	5.634	1.015	0.463	0.910	0.688	77.47	0.617
Sweden	(SKr)	44.05	8.251	7.218	2.126	0.856	2063	2.375	9.154	215.8	177.5	10	1.801	0.821	1.615	1.222	137.5	1.094
Switzerland	(SFr)	24.45	4.581	4.007	1.180	0.475	1145	1.319	5.082	119.8	98.54	5.552	1	0.456	0.897	0.678	76.34	0.608
UK	(£)	53.65	10.05	8.792	2.589	1.043	2513	2.893	11.15	262.9	216.2	12.18	2.194	1	1.967	1.488	167.5	1.333
Canada	(C$)	27.28	5.109	4.470	1.316	0.530	1278	1.471	5.669	133.7	109.9	6.192	1.115	0.508	1	0.756	85.16	0.678
US	($)	36.06	6.754	5.909	1.740	0.701	1689	1.944	7.493	176.7	145.3	8.185	1.474	0.672	1.322	1	112.6	0.896
Japan	(Y)	320.3	60.00	52.49	15.46	6.227	15003	17.27	66.57	1570	1291	72.72	13.10	5.970	11.74	8.884	1000.	7.958
Ecu		40.25	7.539	6.596	1.942	0.782	1886	2.170	8.365	197.2	162.2	9.137	1.646	0.750	1.476	1.116	125.7	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5715	0.5726	+0.0007	0.5736	0.5708	43,202	136,847
Jun	0.5701	0.5700	+0.0009	0.5702	0.5700	266	6,120
Sep	-	-	-	-	-	-	-

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8876	0.8894	+0.0016	0.8915	0.8835	21,064	99,458
Jun	0.8925	0.8928	+0.0011	0.8952	0.8920	111	4,239
Sep	-	-	-	-	-	-	-

EMS EUROPEAN CURRENCY UNIT RATES

Jan 6	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.782939	+0.003627	-3.18	8.40	21
Netherlands	2.19672	2.17043	+0.00105	-1.20	6.23	-
Germany	1.94964	1.94068	+0.00076	-0.46	5.44	-
Belgium	40.2123	40.2680	-0.0248	0.14	4.81	-1
France	6.53883	6.58571	+0.00239	0.72	4.21	-6
Denmark	7.43679	7.53585	-0.00766	1.33	3.58	-9
Portugal	192.854	197.092	+0.207	2.20	2.70	-15
Spain	154.250	161.898	+1.32	4.96	0.00	-35
NON ERM MEMBERS						
Greece	264.513	279.653	+0.736	5.72	-0.72	-
Italy	1793.19	1880.51	-7.88	4.87	0.08	-
UK	0.786749	0.750852	-0.001633	-4.59	10.01	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates *for a currency, and the maximum permitted percentage deviation of the currency's market rate from its* Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
1.400	8.48	8.31	8.42	-	0.04	0.37
1.425	6.04	6.06	6.39	-	0.23	0.78
1.450	3.61	4.04	4.56	0.02	0.65	1.43
[illegible]						

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

■ $ LIBOR FT London Interbank Fixing

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

UK clearing bank base lending rate 5½ per cent from November 23, 1993

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

BASE LENDING RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 5 / Sch)

BELGIUM/LUXEMBOURG (Jan 6 / Frs.)

DENMARK (Jan 6 / Kr)

FINLAND (Jan 5 / Mka)

FRANCE (Jan 6 / Frs.)

GERMANY (Jan 6 / Dm.)

ITALY (Jan 6 / Lire)

NETHERLANDS (Jan 6 / Fls.)

NORWAY (Jan 6 / Kroner)

SPAIN (Jan 5 / Pts.)

SWEDEN (Jan 5 / Kronor)

SWITZERLAND (Jan 6 / Frs.)

PACIFIC

JAPAN (Jan 6 / Yen)

HONG KONG (Jan 6 / H.K.$)

MALAYSIA (Jan 6 / MYR)

SINGAPORE (Jan 6 / S$)

AUSTRALIA (Jan 6 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Jan 6 / Can $) 4 pm close

MONTREAL (Jan 6 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Jan 6 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, January 6, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu	11.2m	870	+4	Sharp	5.4m	1,590	+10
Isuzu Motor	6.3m	385	-10	Sumitomo Mt Min	5.0m	272	+6
Oki Electric Ind	6.2m	358	-12	Matsushita Mt Ind	4.4m	1,530	-20
Hanwa	6.1m	520	-15	Furukawa Elec	4.1m	587	+34
Fujikura	5.7m	811	+47	NEC	4.0m	906	+14

INDICES

US INDICES

Dow Jones	Jan 5	Jan 4	Jan 3	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3798.82	3783.90	3756.60	3798.82 (5/1/94)	3241.95 (20/1/93)	3798.82 (5/1/94)	41.22 (2/7/32)
Home Bonds	104.85	104.74	104.79	111.29 (10/12/93)	103.49 (11/1/93)	111.29 (10/12/93)	54.99 (1/10/81)
Transport	1778.83	1754.59	1751.59	1778.83 (5/1/94)	1453.84 (4/1/93)	1778.83 (5/1/94)	12.32 (8/7/32)
Utilities	224.03	226.60	227.06	256.46 (31/8/93)	217.14 (8/1/93)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3821.33 (3798.25) Low 3750.41 (3718.89) (Theoretical♦)
Day's high 3798.82 (3783.90) Low 3771.80 (3743.10) (Actual♦)

Standard and Poors	Jan 5	Jan 4	Jan 3	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	467.55	466.89	465.44	470.94 (28/12/93)	429.05 (8/1/93)	470.94 (28/12/93)	4.40 (1/6/32)
Industrials	544.88	542.81	540.06	544.88 (5/1/94)	496.48 (26/4/93)	544.88 (5/1/94)	3.62 (21/6/32)
Financial	43.74	43.97	43.93	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	259.31	258.87	258.27	260.67 (29/12/93)	236.21 (8/1/93)	260.67 (29/12/93)	4.46 (25/4/42)
Amex Mkt Val	478.79	477.36	477.24	484.28 (2/11/93)	395.84 (8/1/93)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Comp	778.05	774.28	770.76	787.42 (15/10/93)	645.87 (26/4/93)	787.42 (15/10/93)	54.87 (31/10/72)

■ RATIOS

	Dec 31	Dec 17	Dec 10	Year ago
Dow Jones Ind. Div. Yield	2.68	2.67	2.67	3.14
	Jan 5	Dec 29	Dec 22	Year ago
S & P Ind. Div. yield	2.38	2.38	2.40	2.58
S & P Ind. P/E ratio	27.72	27.21	27.43	26.85

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	467.90	468.90	+0.85	469.00	467.75	53,430	180,029
Jun	-	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	2258.0	2284.5	+23.5	2286.0	2252.0	20,891	39,507
Feb	2268.5	2297.0	+23.5	2293.0	2268.5	297	813
Mar	2379.5	2308.5	+24.0	2309.0	2279.5	511	30,507
Jun	2295.0	2304.0	+23.5	2295.0	2289.0	23	1,710

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Merck	11,108,500	37¼	+1¼
Am T & T	4,893,300	52¾	+⅜
Telefonos	4,864,200	68½	+1¾
RJR Nabisco	4,621,700	6⅞	+⅛
Borden	4,427,400	16	-2¾
CML	4,139,000	17½	-⅛
GTE	3,705,000	34⅞	–
K Mart	3,673,100	21	-½
Wal-Mart	3,141,200	25½	-¼
EMC	3,048,000	18½	+1

■ TRADING ACTIVITY

● Volume (million)

	Jan 5	Jan 4	Jan 3
New York SE	375.134	322.451	269.161
Amex	21.104	19.329	17.222
NASDAQ	349.880	298.602	253.023
NYSE			
Issues Traded	2,738	2,710	2,718
Rises	1,194	1,206	901
Falls	980	916	1,315
Unchanged	564	588	502
New Highs	112	59	54
New Lows	36	30	17

** Sat Dec 18: Taiwan Weighted Price 5302.14; Korea Comp Ex 864.00. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen, MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ DAX after-hours index: Jan 6 - 2220.83 -2.98.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close January 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15	11½	AAR	0.48	3.3	487	125	14⅝	14¼	14⅝	+⅛
29⅜	12¾	A L Labs A	0.18	1.3	33	125	14⅝	14⅜	14⅜	-¼
67¼	54⅝	AMP	1.60	2.6	22	1840	62¾	62¼	62⅜	+¼
72¾	55½	AMR			55	3478	69⅞	68¾	69⅞	+1⅛
3⅞	1¼	ARX			16	433	u4⅛	3⅞	4	-⅛
51½	29⅞	ASA	2.00	3.6	36	1674	u55⅛	52⅝	55⅛	+1⅝
30¾	22⅞	AbbotL	0.68	2.3	18	11698	30	29½	29¾	-¼
12⅝	8¼	Abitibi Pr	0.50	4.0	7	10	12⅜	12⅜	12⅜	+⅛
15⅝	8¼	Acptncein			22	209	13¼	13¼	13¼	+¼
36	25½	ACE Ltd	0.40	1.3	5	731	31	30¼	30¼	-½
12⅝	10¾	ACM Gvt In	1.06	8.7		92	12¼	12⅛	12⅛	-⅛
10⅛	9⅛	ACM GvOpp x	0.80	8.4		33	9⅝	9½	9½	-⅛
10⅝	9¾	ACM Gvt Sp	0.95	9.4		380	10⅛	10	10⅛	
12¼	10½	ACM Gvt Se	1.04	8.8		148	11¾	11⅝	11¾	
12¼	9⅝	ACM Man x	1.08	9.6		162	11¼	11⅛	11¼	+⅛
9⅜	8⅝	ACM Managd x	0.72	8.0		113	9⅛	9	9	-⅛
12⅜	7¾	AcmeCiv	0.44	4.5	12	42	9⅞	9¾	9⅞	
11⅜	6⅜	Acme Elect			37	90	8¼	7⅞	8¼	+½
27⅝	18⅜	Acordia	0.44	1.7	14	42	25⅝	25¼	25¼	-½
16	10⅜	Acuson			59	378	13⅛	12⅞	13	+⅛
21¾	17¾	Adams Expr	0.52	2.9	0	149	18¼	18⅛	18⅛	-⅛
66¼	45½	Ad Micro	3.00	6.2		87	48⅛	47½	48	+⅛
32¾	17	AdvMic	3.00	16.6	6	12107	18¾	17⅞	18⅛	
8⅛	5½	Advest Grp	0.16	2.3	12	72	6⅞	6¾	6⅞	+¼
24¾	14¼	Advo Inc	0.08	0.4	85	306	18½	18⅛	18¼	-⅛
58½	41⅛	Aegon ADR	1.23	2.2	12	21	55¾	55¼	55½	-1
68¼	43⅜	AetnaL	2.76	4.9	24	5424	58⅜	56½	56½	-2⅛
34	24¾	Aflac	0.40	1.5	12	1595	28⅛	27⅜	27½	-½
22⅛	16¾	Ahmnsn	0.88	4.4	9	2952	20¼	19½	20	+¼
7¾	3⅝	Aileen Inc			4	130	3⅝	d3⅝	3⅝	-⅛
48½	37½	AirPrC	0.92	2.0	26	1600	46⅞	45¾	46¼	+¼
35¼	18⅛	Airbne Frt	0.30	0.9	28	1827	u35¼	34½	35	+⅜
25½	9⅜	Airgas Inc			42	1163	22⅛	21⅞	21⅞	+⅜
16⅛	10½	Airlease x	1.84	11.8	11	11	15⅝	15⅜	15⅝	+⅛

Continued on next page

NYSE COMPOSITE PRICES

4 pm close January 6

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close January 6

AMEX COMPOSITE PRICES

4 pm close January 6

Price data supplied by Telekurs

FINANCIAL TIMES Friday January 7 1994

AMERICA

Hopes on growth take Dow over 3,800 level

Wall Street

Cyclical stocks lifted the bellwether Dow Jones Industrial Average above the 3,800 level for the first time yesterday morning, as investors gained confidence in likelihood of sustained non-inflationary growth, *writes Frank McGurty in New York.*

By 1pm, the Dow was 6.19 ahead at 3,805.01, but the more broadly based Standard & Poor's 500 was just 0.12 higher at 467.67. In the secondary markets, the American SE composite was down 0.73 at 478.06, while the Nasdaq composite was up 0.85 at 778.90.

Volume on the NYSE was heavy, pushed by a seasonal inflow of funds from institutional investors. About 200m shares were traded by 1pm.

After finishing at an all-time high the previous session, the market opened on a positive note, buoyed by an improved outlook on inflation.

Although stocks moved in an opposite direction from bonds on Wednesday, investors were pleased to see a rebound in the benchmark 30-year government issue, which responded to favourable comments by the labor secretary, Mr Robert Reich.

Mr Reich said he expected tomorrow's employment data would show lower December job growth than the fixed-income markets had feared, suggesting that concern over the pace of the economy's growth was overdone.

Retailing stocks were among the most active, stimulated by the release of December sales figures by the leading stores groups.

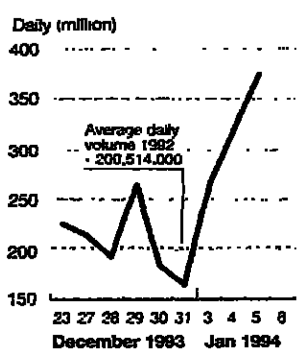
Kmart slumped $1⅞ to 19-5/4 on the heels of its reorganisation announcement. JC Penney dropped $1 to $51⅝ despite a 10 per cent sales gain. Woolworth shed $⅞ to $24¾.

Fears of price war among consumer electronics retailers pushed Best Buy down $5 to $42¼. Circuit City, the Big Board's most active issue, plunged $4¾ to $17⅞.

Brazilian stocks rose another 5.5 per cent by midsession, domestic and foreign investors continuing to pump new money into the market on hopes that congress will approve the government's economic plan by late January.

The Bovespa index was 2,313 higher at 44,418 at 1300 local time, with oil company Petrobras outperforming onheavy foreign buying.

NYSE volume



Canada

Toronto's precious metals stocks recovered from morning profit-taking, the TSE 300 composite index rising 16.38 to 4,417.46 in volume of 45.17m shares.

Metall Mining weakened further, *falling* C$⅝ to C$10⅞ after German television reports that its parent, Metallgesellschaft, will sell its stake.

Taiwan hits another new high

Taiwan's stock market fluctuated wildly yesterday before closing slightly up at a new 3½-year high, *Dennis Engbarth and Reuter report in Taipei.* Turnover, at T$185.9bn, was the heaviest since February 1990.

Brokers were unsure whether the market, which surged in the final weeks of 1993 on a rise in political confidence, foreign capital inflows, and hopes for direct sea links with China, was entering a correction. "Everybody knows the overheated market is due for a correction at some point, the question is when," said Mr Harris Liao of Harvest Securities.

Most analysts believe that the market will remain vibrant but mercurial in early 1994, but that the momentum may fade in the second quarter due to revived concern about politics and economic growth.

The December rally was sparked by the better than expected showing of the ruling Kuomintang (KMT) in county and city mayoral elections in late November.

The results encouraged the government to announce financial sector reforms, including liberalisation of foreign capital entry and exit rules. A ministerial commission proposed lifting restrictions on entry and repatriation of capital. Officials decided to propose raising the 50 per cent ratio of foreign investment permitted in the securities, banking and insurance sectors.

The market received a further boost last week when Mr Chiang Ping-kun, minister of economic affairs, said that he aimed to encourage port authorities in Taiwan and mainland China to open negotiations on setting up direct freight links in 1994.

Also last week came news that a new securities capital gains tax statute would not significantly enlarge the tax liability of most investors.

Among factors aiding prospects in the next few months are a decline in interest rates since August, availability of new funds from local investors, and growth of corporate profits. Political concerns may return in the second quarter as the National Assembly debates a proposal for direct presidential elections and other constitutional revisions.

There are also some economic doubts. Growth is officially forecast at 6.2 per cent in 1994, compared with 6 per cent for 1993, but private sector analysts doubt whether the official estimate of more than 8 per cent growth in merchandise exports, compared with below 5 per cent in 1993, can be realised.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at DECEMBER 31, 1993 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar Index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (number of lines of stock)	Market cap. as at 31/12/93 (US$m)	% of World Index	Market cap. as at 30/9/93 (US$m)	% of World Index	% chge in $ Index since 31/12/92
Australia (69)	136948.5	1.55	115000.2	1.32	+33.37
Austria (17)	12909.3	0.15	11718.0	0.13	+31.98
Belgium (42)	60386.2	0.68	54108.2	0.62	+22.08
Canada (107)	152670.6	1.73	138373.5	1.57	+17.42
Denmark (32)	30016.0	0.34	27952.8	0.32	+32.82
Finland (23)	16491.1	0.19	14733.7	0.17	+76.98
France (98)	312093.4	3.54	285170.6	3.28	+19.56
Germany (60)	327430.2	3.71	294547.1	3.39	+34.80
Hong Kong (55)	241602.4	2.74	150359.0	1.73	+120.85
Ireland (14)	12231.9	0.14	11077.4	0.13	+38.41
Italy (69)	102478.4	1.16	104069.7	1.20	+25.00
Japan (469)	2270841.5	25.75	2655751.8	30.53	+23.90
Malaysia (69)	94655.3	1.07	65722.8	0.76	+128.24
Mexico (19)	88987.3	1.01	58046.3	0.67	+44.89
Netherland (26)	158894.2	1.80	137851.3	1.58	+31.61
New Zealand (14)	17108.2	0.19	14707.2	0.17	+58.32
Norway (23)	8711.9	0.10	7465.9	0.09	+30.45
Singapore (39)	47952.1	0.54	34692.8	0.40	+72.26
South Africa (60)	104745.5	1.19	82598.8	0.95	+80.38
Spain (42)	82045.1	0.93	76216.6	0.88	+19.50
Sweden (36)	70874.2	0.80	70744.8	0.81	+18.61
Switzerland (49)	213181.1	2.42	182658.3	2.10	+41.71
United Kingdom (215)	923516.2	10.47	830239.1	9.54	+18.96
USA (518)	3332434.4	37.79	3276470.0	37.67	+6.63
Europe (746)	2331239.1	26.43	2108553.5	24.24	+24.68
Nordic (114)	126093.2	1.43	120897.1	1.39	+27.76
Pacific Basin (715)	2809106.0	31.85	3036233.9	34.91	+32.22
Euro-Pacific (1461)	5140345.1	58.29	5144787.4	59.15	+28.88
North America (625)	3485105.0	39.52	3412843.5	39.24	+7.06
Europe Ex. UK (531)	1407722.9	15.96	1278314.4	14.70	+28.89
Pacific Ex. Japan (246)	538264.5	6.10	380482.1	4.37	+84.26
World Ex. US (1647)	5486748.5	62.21	5421806.0	62.33	+29.55
World Ex. UK (1950)	7895666.6	89.53	7868036.9	90.46	+19.88
World Ex. So. Af. (2105)	8714437.3	98.81	8615677.2	99.05	+19.28
World Ex. Japan (1696)	6548341.3	74.25	6042524.2	69.47	+18.23
The World Index (2165)	8819182.8	100.00	8698276.0	100.00	+19.77

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JANUARY 5 1994								TUESDAY JANUARY 4 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	170.93	+1.3	170.49	121.84	154.62	165.42	+0.9	3.11	168.71	168.79	120.67	152.61	163.86	170.93	117.39	121.07
Austria (17)	187.20	-0.4	186.72	133.43	169.34	169.01	-0.3	0.94	188.00	188.08	134.47	170.05	169.52	188.00	131.16	134.91
Belgium (42)	163.91	+0.6	163.49	116.83	148.27	145.97	+0.4	3.94	162.91	162.98	116.51	147.35	145.35	168.01	131.19	132.51
Canada (107)	139.61	+0.8	139.25	99.50	126.27	132.98	+0.7	2.52	138.46	138.53	99.03	125.23	131.99	139.61	111.41	115.21
Denmark (32)	256.60	+0.4	255.94	182.90	232.11	235.85	+0.0	0.96	255.68	255.78	182.87	231.25	235.78	256.60	185.11	191.76
Finland (23)	130.66	+0.7	130.32	93.14	118.19	157.65	+0.1	0.68	129.78	129.84	92.83	117.39	157.49	130.66	65.50	72.75
France (99)	175.44	-0.7	174.99	125.04	158.68	162.43	-0.8	2.86	176.62	176.70	126.32	159.74	163.68	179.49	142.72	146.42
Germany (59)	138.56	-0.8	138.20	98.77	125.33	125.33	-0.8	1.65	139.73	139.79	99.95	126.38	126.38	142.38	101.59	103.92
Hong Kong (55)	505.61	-0.2	504.21	360.31	457.29	501.23	-0.2	2.18	506.56	506.80	362.33	458.22	502.34	506.56	218.82	224.16
Ireland (14)	193.46	+2.7	192.97	137.90	175.00	191.07	+1.8	2.96	188.46	188.55	134.80	170.46	187.71	193.46	129.28	144.68
Italy (69)	67.46	-1.6	67.29	48.08	61.02	85.35	-1.7	1.92	68.64	68.67	49.02	61.99	86.85	78.93	53.78	53.98
Japan (469)	130.80	+1.4	130.46	93.23	118.33	93.23	+1.1	0.88	128.93	128.99	92.22	116.63	32.22	165.91	100.75	103.41
Malaysia (69)	621.63	+0.4	620.03	443.06	562.29	629.17	+0.1	1.16	619.19	619.48	442.87	560.05	628.37	621.63	251.66	261.35
Mexico (18)	2341.89	+1.6	2335.89	1669.24	2118.40	7950.35	+1.4	0.64	2304.81	2305.88	1648.57	2084.75	7843.38	2387.72	1410.30	1711.42
Netherland (26)	201.47	+0.7	200.95	143.60	182.25	178.85	+0.7	2.96	200.00	200.09	143.05	180.90	177.58	202.48	150.39	152.24
New Zealand (14)	68.41	+0.2	68.23	48.76	61.88	64.69	+0.4	3.82	68.27	68.30	48.83	61.75	64.46	68.41	40.56	42.06
Norway (23)	188.39	+1.7	187.91	134.28	170.41	191.83	+1.4	1.33	185.20	185.28	132.47	167.52	189.18	188.39	137.71	145.42
Singapore (45)	378.92	+0.8	377.95	270.09	342.76	279.27	+0.1	1.48	375.87	376.04	268.85	339.97	278.85	378.92	207.04	214.96
South Africa (60)	276.14	-0.3	275.43	196.82	249.78	262.40	-0.2	2.12	276.93	277.06	198.07	250.48	262.99	276.33	144.72	147.27
Spain (42)	137.79	-1.0	137.43	98.21	124.64	151.10	-0.3	3.98	139.11	139.17	99.50	125.83	151.49	145.24	115.23	117.99
Sweden (36)	203.72	+0.8	203.20	145.21	184.29	247.76	+0.2	1.41	202.05	202.15	144.53	182.77	247.15	208.92	149.70	168.15
Switzerland (49)	163.32	+0.7	162.91	116.42	147.76	149.86	+0.3	1.44	162.18	162.25	116.01	146.71	149.42	165.86	108.91	112.70
United Kingdom (215)	204.35	-0.3	203.82	145.64	184.83	203.82	-0.6	3.52	205.03	205.12	146.64	186.43	205.12	209.10	162.00	175.06
USA (518)	190.17	+0.1	189.68	135.56	172.03	190.17	+0.1	2.74	189.94	190.03	135.86	171.81	189.94	191.68	175.38	177.53
Europe (746)	169.71	-0.3	169.27	120.96	153.52	164.78	-0.4	2.75	170.14	170.22	121.70	153.90	165.51	172.29	133.92	136.94
Nordic (114)	197.30	+0.8	196.79	140.63	178.47	208.07	+0.3	1.20	195.81	195.90	140.06	177.11	207.54	197.30	142.13	151.91
Pacific Basin (721)	146.58	+1.2	146.21	104.48	132.60	107.61	+0.9	1.14	144.79	144.86	103.57	130.97	106.63	168.80	105.89	108.14
Euro-Pacific (1467)	156.06	+0.6	155.66	111.22	141.16	129.55	+0.3	1.87	155.19	155.26	110.99	140.36	129.17	162.86	117.26	119.80
North America (625)	187.01	+0.2	186.53	133.31	169.19	186.22	+0.2	2.73	186.72	186.81	133.57	168.92	185.84	188.13	171.51	173.66
Europe Ex. UK (531)	147.96	-0.2	147.58	105.46	133.87	141.82	-0.3	2.25	148.26	148.33	106.07	134.14	142.28	150.04	112.51	114.42
Pacific Ex. Japan (252)	296.36	+0.4	295.60	211.27	268.11	273.51	+0.2	2.21	296.22	295.36	211.20	267.06	273.02	296.36	152.70	164.82
World Ex. US (1652)	158.41	+0.6	158.01	112.92	143.30	132.98	+0.3	1.87	157.52	157.60	112.68	142.49	132.56	162.89	118.51	120.95
World Ex. UK (1955)	164.54	+0.5	164.12	117.29	148.85	145.77	+0.3	2.05	163.75	163.82	117.13	148.13	145.27	168.66	134.22	135.67
World Ex. So. Af. (2110)	167.33	+0.4	166.90	119.26	151.37	149.89	+0.2	2.20	166.65	166.73	119.21	150.75	149.52	170.46	137.29	139.14
World Ex. Japan (1701)	189.06	+0.0	188.58	134.77	171.05	185.49	+0.0	2.66	188.99	189.07	135.19	170.97	185.58	189.49	157.47	159.21
The World Index (2170)	168.00	+0.4	167.57	119.75	151.98	150.79	+0.2	2.20	167.34	167.42	119.70	151.37	150.42	170.68	137.32	139.08

Constituent changes with effect 7/1/94: Addition: Playmates Toys Holdings (Hong Kong). Deletion: Unitas 'C' (Finland). Latest prices were unavailable for this edition.

EUROPE

Oil shares rise on higher crude prices

Several bourses were closed for the Epiphany holiday yesterday, *writes Our Markets Staff.* The others were mostly higher, although the German Bundesbank, as expected, left its key interest rates unchanged.

Around the Continent, oil shares rose on higher crude prices, reflecting hopes that Opec will bring forward a meeting to discuss cuts in crude output.

PARIS looked past yesterday's Buba decision, assuming instead that the German central bank will cut rates in two weeks' time. This produced a futures driven rally which took the CAC-40 index 25.51 higher to 2,275.06 in turnover up from FFr5.4bn to FFr5.6bn.

Oils rose on the firmer crude price trend, Elf Aquitaine by FFr9.20 to FFr426.50, Total by FFr4.50 to FFr323.20 and Elf Gabon, the pure production play, by FFr98, or nearly 10 per cent, to FFr1,098.

Automotive stocks were encouraged by the economy minister, Mr Edmond Alphandery's talk of aid for the industry, Peugeot rising FFr14 to FFr775, Michelin by FFr3.30 to FFr214.30 and Valeo by FFr64 to FFr1,239.

Eurotunnel did big business with 6.66m shares traded as it rose another FFr1.40 to FFr58.50. Euro Disney recovered another FFr1.85 to FFr33.50 and Moulinex, the domestic appliances group, rose FFr9.30, or 8.9 per cent to FFr114 on a broker's recommendation.

FRANKFURT's Dax index fell another 13.19 to 2,220.22, off an intraday low of 2,205.48, as the extent of Metallgesellschaft's problems hit the market, and as the DIW economic research institute in Berlin said that the west German economy was heading for a double-dip recession.

Turnover fell from DM10.8bn to DM8.2bn. This week's three-day fall was still being classed as a correction, brokers noting that there was still buying interest in selected issues like Preussag, weakened by the Metallgesellschaft debacle which led to the latter's suspension yesterday, but recovering another DM7 to DM466.50 for a two-day gain of DM15.

Shares in Metallgesellschaft's major banking partners, Deutsche and Dresdner, fell DM10.50 to DM859, and DM9.80 to DM453 in a generally weak sector.

AMSTERDAM remained at a record high after strong performances by some blue chips and the ATX index rose 1.17 to 423.57. The market was also supported by a heavy start-of-the-year flow of funds into equities and the strength of the guilder.

Royal Dutch added Fl 5.60 to Fl 210.30 in response to the oil price developments.

Akzo added Fl 6 to Fl 206 in continued response to the Wednesday's presentation which reinforced analysts' expectations on the Nobel acquisition. Philips added Fl 1.20 to Fl 43.30 amid speculation that it may resume dividend payments this year.

ZURICH continued to move higher and the SMI index added 12.7 to a record 3,022.1.

Renewed demand emerged for Nestlé as the share climbed above SFr1,300 and it finished SFr17 higher at SFr1,315.

Zurich Insurance rose SFr25 to SFr1,588 on positive expectations for its 1993 results.

Adia, under pressure in recent months, continued to draw comfort from a report that technical analysis points to a rise in the price. The shares added SFr26 to SFr234.

BRUSSELS registered another record close as the national bank cut its key central rate for money market lending by 0.15 percentage point to 7.10 per cent, the Bel-20 index ending 4.44 higher at 1,489.41.

DUBLIN put on 2 per cent, the ISEQ overall index adding 39.01 to 1,972.08. Mr Robbie Kelleher of Davy Stockbrokers in Dublin said that the market was heartened by publication of government deficit figures earlier in the week which pointed the way to the possibility of tax cuts in the budget at the end of the month.

Smurfit rose 21p or 6.6 per cent to I£3.39 helped by the strength of paper stocks on Wall Street.

ISTANBUL forgot new tax incentives for investments in bonds and currency, cash flowed back into equities and the market rose 3.7 per cent to a new high, the composite index ending a provision 812.76 higher at 22,929.1.

Written and edited by William Cochrane and Michael Morgan.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Jan 6 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1472.98	1474.94	1475.00	1477.57	1479.42	1480.98	1481.51	1481.29
FT-SE Eurotrack 200	1540.85	1539.83	1540.78	1543.44	1544.74	1547.46	1548.73	1548.25

	Jan. 5	Jan. 4	Dec. 31	Dec. 30	Dec. 29
FT-SE Eurotrack 100	1473.05	1479.29	1473.36	1475.84	1466.20
FT-SE Eurotrack 200	1540.12	1545.77	1546.34	1547.64	1552.09

Base value 1000 (26/10/90) Highday: 100 - 1482.71, 200 - 1548.94 Lowday: 100 - 1472.98 200 - 1539.57

ASIA PACIFIC

Nikkei up again as Hong Kong drops 6.5%

Tokyo

Share prices soared on active buying of high-technology stocks by overseas investors, but later profit-taking by domestic corporations eroded some of the gains and the Nikkei average closed just moderately higher, *writes Emiko Terazono in Tokyo.*

The 225-issue index gained 98.51 at 17,881.99, while the Topix index of all first section stocks finished 6.42 ahead at 1,469.27.

The Nikkei recovered the 18,000 level briefly during the first hour of trading, rising to a day's high of 18,027.70 on buying led by US and Asian investors as the weakening of the yen supported hopes of better profits for exporters.

Traders said that extra income from hedging against yen assets for European investors, due to interest rate differentials, also encouraged buying by foreign investors.

However, profit-taking came in from corporate investors and life insurers which had supported share prices when the Nikkei was around 16,000 last year. This has made 18,000 a strong resistance level on the upside, and the index fell to a low of 17,792.58 in the final 30 minutes of the afternoon session.

Mr Jason James, a strategist at James Capel, expects the Nikkei to make the upward breakthrough in the next few months, as institutions start to shift funds to the stock market due to low interest rates.

Volume totalled 350m shares, against 290m. Advances led declines by 626 to 422, with 125 issues unchanged. In London the ISE/Nikkei 50 index added 2.16 at 1,220.95.

Cable and wire companies were higher on reports of an expected proposal by a government advisory body to replace the current television broadcast system with a next-generation optical fibre cable-based system.

Fujikura rose Y47 to Y811 and Mitsubishi Cable gained Y24 at Y753. Nippon Telegraph and Telephone, which has advanced technology development for next-generation systems, put on Y13,000 at Y779,000. NEC added Y14 at Y906 and Fujitsu Y4 at Y870.

Some foreign favourites fell on profit-taking, Sony by Y50 to Y5,790 and Matsushita Electric Industrial by Y20 to Y1,530.

Financials, which have been weak on arbitrage selling, gained ground. Industrial Bank of Japan rallied Y40 to Y2,900 and Nomura Securities moved ahead Y40 to Y1,890.

In Osaka, the OSE average gained 163.45 at 19,755.21 in volume of 57.7m shares.

Roundup

Aggressive profit-taking left Hong Kong and Kuala Lumpur sharply lower as Nomura reduced their weightings in its model portfolio, although further records were set elsewhere in the region.

HONG KONG encountered heavy profit-taking which sent shares tumbling and stripped 6.5 per cent off the Hang Seng index.

The market indicator fell 793.43 to its low for the day at 11,374.50, the largest single day's decline since the 1987 stock market crash.

Turnover was the third highest ever at a provisional HK$13.07bn, topped only by the two previous days' records.

However, the market's second consecutive daily fall caused little concern, coming after last year's 115 per cent gain in the index, much of it in the last quarter.

KUALA LUMPUR suffered its largest ever single day fall, tumbling 5 per cent amid heavy profit-taking. The index, which had risen by 235 points over the last fortnight, shed 65.77 to 1,248.69.

BANGKOK tumbled 2.4 per cent as institutions joined individuals in taking profits among the big capitalisation stocks for the second straight day. The SET index fell 41.70 to at 1,667.94 in near record high turnover of Bt38.86bn.

SINGAPORE continued lower for the second consecutive day, the market losing 1.8 per cent as investors took profits aggressively. The Straits Times Industrials index fell 43.73 to 2,388.26.

MANILA surged anew as foreign and domestic institutional demand emerged for second liners, after Wednesday's correction. The Manila index climbed 62.16 to 3,293.33.

SEOUL was helped ahead by strong interest in blue-chips although financials and low-priced shares lost ground. The composite index added 6.24 to a record 893.17 in heavy volume.

AUSTRALIA saw a late revival in the resources sector which pushed the market off its day's lows to yet another six year high.

The All Ordinaries index closed 6.9 higher at 2,200.3, a level it tested but which it was unable to hold on Wednesday.

JAKARTA was mixed in active trading with stocks seemingly unaffected by Indonesia's cautious budget announcement.

The JKSE market index turned back from Wednesday's four year high, losing 3.57 to 609.32.

BOMBAY picked up towards close, after a mild drop at mid-session, as buying by Indian brokers and institutions continued on the last day of the current account period. The BSE 30-share index closed up 52.80 at a record 3,506.88.

KARACHI posted a record close, the KSE 100 index adding 53.73 to 2,327.33 on active foreign buying in multinationals and blue chips.

NEW ZEALAND nudged ahead the NZSE-40 Capital index rising 6.02 to 2,198.82 in good volume.

SOUTH AFRICA

Golds reflected a further weakening in bullion, the sector index falling by 64, or 2.8 per cent, to 2,259. Industrials headed selectively higher, closing 31 up at 5,729, and the overall index lost 24 at 5,062.